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# THE SOCIOLOGICAL IMPLICATIONS OF RICARDO'S ECONOMICS

A DISSERTATION

SUBMITTED TO THE FACULTY OF THE GRADUATE SCHOOL OF ARTS  
AND LITERATURE IN CANDIDACY FOR THE DEGREE  
OF DOCTOR OF PHILOSOPHY

(DEPARTMENT OF SOCIOLOGY)

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BY

CECIL CLARE NORTH

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CHICAGO, ILLINOIS



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THE MARUZEN-KABUSHIKI-KAISHA  
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LEIPZIG

THE BAKER & TAYLOR COMPANY  
NEW YORK

The University of Chicago

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## THE SOCIOLOGICAL IMPLICATIONS OF RICARDO'S ECONOMICS

### INTRODUCTION

Few names in the field of social science in the nineteenth century outshine that of David Ricardo. Himself a man of affairs, he assumed without serious dispute the place of leadership of the academic thinking on economic subjects, and few leaders have been followed with more loyal devotion than he. Moreover, the importance of his position has not always been due to a conscious attitude of admiration. In fact his detractors have done almost as much to center attention upon his work as have his most faithful disciples. This is doubtless due to the fact that his forcefulness of thought gave an authoritative air to his work that prevented even those who shuddered at his conclusions from questioning the accuracy of his conclusions if his foundations were granted. Bonar<sup>1</sup> has pointed out that, notwithstanding the close friendship of Malthus and Ricardo, they were really engaged in contending for the leadership of the science of political economy that traced its lineage through the *Wealth of Nations*. Although each was too modest to have entertained such an idea had it been broached to him, they did represent methods of economic thinking which Bonar has compared respectively to the Arminianism and Calvinism of modern theology. The Calvinism of Ricardo won, and the economic thinking of the nineteenth century was, to a very considerable extent, cast in the mold furnished by the *Principles of Political Economy and Taxation*.

But, as already noted, this influence was not exerted upon willing disciples only. While the *Principles* became the holy writ of capitalism, it also became the storehouse of proof-texts for socialism. So far as Ricardo had attempted to draw conclusions from assumed conditions, his results were accepted as authoritative.

<sup>1</sup> *Malthus and His Work*.



And because of the unflinching logic of the method by which he seemed to carry capitalism to its logical outcome, the opponents of capitalism seized upon his work as the true picture of the capitalistic scheme. Taking the Ricardian economics as the major premise of their argument, they set up as the middle term the statement that the centering of wealth in the hands of the few was detrimental to the welfare of society. From this various conclusions were reached, ranging from Henry George's scheme of a single tax to the extreme measures of the Marxians. The capitalists retorted by setting up a different middle term, namely, that the acquisition of capital to be controlled by the few was the greatest possible blessing to society, and their conclusions differed from those of the socialists only because of the different assumption in the middle term of their syllogism. Both parties to the controversy, however, were agreed that there was to be no going behind the returns in the validity of the major premise, namely, the Ricardian economics.

There came next upon the field another group who took a different view of the whole situation. This group represented the labor party in England, who were not willing to go the lengths of the Marxian socialists, but who saw in the Ricardian economics a dismal picture of the ultimate fate of all but the few who had the special privileges conferred upon them by the capitalistic organization of society.<sup>1</sup> The attitude of this group was that Ricardo had made a specious argument for capitalism, clothing its rights with the sanctity of a natural law, while attempting to keep the laboring class in subjection by convincing them that some sort of eternal, irresistible power had decreed that they should continue to grow poorer while the favored few should grow richer, and that any attempt to prevent the operation of this law was not only futile but sacrilegious. Here again there was no attempt to find out just what Ricardo had said and why he had said it, and whether it was true in the way he had said it. Those who were interested in the maintenance of the *status quo* proceeded to make the appearance of sanction from natural laws for their position go as

<sup>1</sup> For a picture of the opposition to the Ricardian economics from this quarter, see Toynbee, *Industrial Revolution*, pp. 1-3.



far as it would in helping them to keep their position. Those who were interested in a shifting of the equilibrium continued to regard the Ricardian economics as the paid advocate of the privileged class, an argument in court rather than an impartial statement of facts. They consequently denied both its sincerity and its validity.

It would be unfair to recent economic thinking and untrue to the facts to say that the valuation of Ricardo has not gone beyond the stage marked by the two different sorts of controversy noted above. But most of the discussion of Ricardo during the nineteenth century centered about one of these two vortexes. There is of late a tendency to estimate Ricardo more at his true value, by placing him in his historical perspective and by reading his conclusions in the light of the conditions and economic theory which he found at hand to work with. But there is one chapter in the task of correctly placing Ricardo which has not been written. This is the pointing out of the significance of his conclusions in the light of an inclusive social philosophy. Until we know to what extent his conclusions were based on data that were essential to any inclusive social theory, we cannot reach correct ideas as to his real place in the world of social science.

It is the purpose of the present study to show how the Ricardian economics is related to data of social significance wider than merely economic technique. The point of view taken is that an economic conclusion has no significance as a social fact until it has been related to a larger complex of human experience; that is, that the merely economic is not truly economic.<sup>1</sup>

By way of anticipation of our later argument, we hold that the interpretation of Ricardo has failed to recognize two essential facts, which failure has resulted in a distorted conception of what his contribution really was, and a luring of classical political economy on the rocks of barren sophistries. Those two facts are: (1) that the Ricardian theories were worked out with special reference to specific technical measures which the author was interested in

<sup>1</sup> For a complete exposition of this point of view see Small, *Adam Smith and Modern Sociology*, Chicago, 1907.



furthering; (2) that the economic data on which his conclusions were founded were not correlated with data of wider social significance. The result was that these conclusions had the appearance of universally valid principles with certain moral implications, while in content they were technical, specific, and concerned with only one restricted phase of human activity, hence without validity as moral postulates or statements of social reality.

As preliminaries to our study we shall briefly review the Ricardo literature, and attempt to find the relation of its subject to the general philosophic thought of the period and to the particular social situation in which he was reared and in which he worked.

The exclusively economic exposition of Ricardo lies outside our purpose. An account of his influence upon technical economic thinking would require a survey of the whole of nineteenth-century economics, and would not materially further our purpose of finding the wider social implications contained in his conclusions. We shall, therefore, in noting the Ricardo literature, confine our attention to those who have treated of his wider social significance.

Ricardo belongs to that group of political and economic thinkers which reflected the rising demand for freedom in political and economic activities. His work must be regarded largely as a wave in that general upheaval of thought which accompanied the tremendous political and economic changes of the close of the eighteenth century and the opening of the nineteenth. But when we attempt to attach his work to that of specific writers we can find little, if any, dependence, at least on his economic side, on any but Adam Smith and Malthus, besides the "Fellow of University College, Oxford" (Mr. West), whom he mentioned in his preface as having written on rent. James Steuart had written on population and agriculture, trade and industry, money and coin, credit and debt, and taxes; and Hume in his *Political Essays* had chapters on commerce, refinement of the arts, money, interest, balance of trade, taxes, public credit, and other subjects more remotely connected with economics. But Ricardo's first glimpse into the world of technical economic thought came when, in 1799, he stumbled upon a copy of the *Wealth of Nations* while staying at Bath for his wife's health. His economic thinking was further stimulated by



his correspondence and conversations with Malthus. Bonar<sup>1</sup> has shown how these two followers of Adam Smith interpreted their master along diverging lines. Nevertheless Ricardo is indebted to Malthus for the theory of population on which Ricardo's theory of wages and profits is built, and he recognizes in his preface his dependence upon Malthus for his doctrine of rent. Bonar has shown the very close interrelation involved in the development of their whole thinking, and the publication of the correspondence between them has given further proof on this point.

Ricardo's dependence upon Smith is manifest on nearly every page. To say, however, that the *Principles* is but a running comment on the *Wealth of Nations* is extravagant.<sup>2</sup> It is not part of our present task to show the origin of the various doctrines of Ricardo, but in the analysis of the text reference will be made to the relation of his leading ideas to the *Wealth of Nations*. Patten<sup>3</sup> has shown some of the specific points of this dependence, while at the same time showing Ricardo's relation to Malthus and the parts in which he is wholly original.

Ricardo shows in the last paragraph of his preface that he did not regard Say as much more than an interpreter of Smith. He may have and probably did make use of Say's work as a logical arrangement of the ideas contained in the *Wealth of Nations*, but further than this there is no evidence of dependence upon him.

## PART I. REVIEW OF THE RICARDO LITERATURE

The best account of Ricardo's life is given by his friend and editor McCulloch in the introduction to Ricardo's collected works.<sup>4</sup> It is from McCulloch also that we get the first estimate of the character and importance of Ricardo's work. He finds in Ricardo a master and regards his writings as the oracular enunciations of an economic prophet. In the *Literature of Political Economy* (London, 1845) he says:

This is a most able, original and profound work. Its appearance formed a new era in the history of the science. Exclusive of many valuable correlative

<sup>1</sup> *Malthus and His Work*.

<sup>2</sup> For example, Cohn, *System der National-Oekonomie*. English tr. by Edmund J. James (*Annals American Academy*, Supplement, IV, 43).

<sup>3</sup> "The Interpretation of Ricardo," *Quarterly Journal of Economics*, VII, 322 ff.

<sup>4</sup> J. R. McCulloch, ed., *The Works of David Ricardo*, London, 1846.

discussions, Mr. Ricardo has traced the source and limiting principle of exchangeable value, and has exhibited the laws which determine the distribution of the various products of art and industry among the various ranks and orders of society. The powers of mind displayed in these investigations, the dexterity with which the most abstruse and difficult questions are unravelled, the sagacity displayed in tracing the operation of general principles, in disentangling them from such as are of a secondary and accidental nature, and in perceiving and estimating their remotest consequences, have never been surpassed, and will forever secure the name of Ricardo a conspicuous place amongst those who have done most to unfold the mechanism of society. . . .

The establishment of general principles being Mr. Ricardo's great object, he has paid comparatively little attention to their practical application, and sometimes he has wholly, or in a great measure, overlooked the circumstances by which they are occasionally countervailed. . . .

The brevity with which Mr. Ricardo has stated some of his most important principles, their intimate dependence on each other, the fewness of his illustrations, and the mathematical cast he has given to his reasonings, render it sometimes not a little difficult for readers unaccustomed to such investigations readily to follow him. But those who give to his works the attention of which they are so worthy will find that he is remarkably consistent in the use of terms, and that he is as logical and conclusive as he is profound and original. It was the opinion of Quintilian that the students of eloquence who were delighted with Cicero had made no inconsiderable progress in their art, and the same may, without hesitation, be said of the students of political economy who find pleasure in the works of Ricardo: *Sciat se non parum profecessi cui RICARDO valde placebit.*

Separating McCulloch's conception of the nature of Ricardo's work from the element of praise in his account, it seems to be this: It is a formulation of fundamental principles without regard to their practical applications. The circumstances which would interfere with the carrying out of these general theories are neglected, although this does not interfere with the general validity of the principles themselves. The difficulty in following his reasoning arises from the brevity, the closeness of the reasoning, the lack of illustration, and the mathematical cast of his statements. The work is a study in abstract logic, the ability to appreciate which is an indication of one's grasp of the nature of political economy.

De Quincey takes practically the same view of the character and importance of Ricardo's work.<sup>1</sup>

<sup>1</sup> "Confessions of an Opium Eater," *Works*, ed. Masson, III, 431-32.



Cossa to some extent confirms the view of McCulloch and De Quincey.<sup>1</sup> My later argument will show that I dissent from this view of Ricardo. Without stopping at this point for the details of the argument, this dissent may be stated as follows: (1) The *Principles* is not a work in pure science, although it takes an abstract form, but it is an immensely practical work that had for its object the attainment of very practical ends. (2) Since Ricardo's arguments were aimed at specific economic reforms of the period, they are not wholly applicable to problems of other times and circumstances. (3) Although Ricardo's premises were more true of his own day than of ours, they fail so far in taking account of other data which existed at the time that in many cases his conclusions are actual perversions of the truth.

A very different estimate of Ricardo from that of the three writers noted above comes from Toynbee.<sup>2</sup> The fragment of the essay on Ricardo which appears in this volume, while in the author's own writing, is incomplete. Mrs. Toynbee in the preface says that it was begun in 1879 but thrown aside unfinished because the author was dissatisfied with it, and perhaps also because Bagehot's *Economic Studies*, published soon after the greater part of the essay was written, appeared to cover somewhat the same ground. The ideas contained in the twenty-six pages on Ricardo are rather in the form of suggestions than carefully worked out points. On the first page Toynbee says:

Assailed for two generations as an insult to the simple natural piety of human affections, the political economy of Ricardo is at last rejected as an intellectual imposture.

Toynbee attributes both the adoration paid Ricardo by his followers and the antagonism of the laboring classes toward his conclusions to the abstract logical form of his statements. He finds the foundations of Ricardo's conclusions in the philosophic and economic assumptions with which he started, but of which he was entirely unconscious.<sup>3</sup>

<sup>1</sup> *Introduction to the Study of Political Economy*, p. 314.

<sup>2</sup> *Lectures on the Industrial Revolution*, New York, 1884.

<sup>3</sup> *Loc. cit.*, pp. 2, 3, 6, 11, 12.

It is impossible to evaluate Toynbee's estimate of Ricardo, because of the fragmentary nature of his criticisms and his failure to point out from an analysis of the text of Ricardo how far he could verify his statements. As indicated in the Preface, Bagehot's *Economic Studies* covers somewhat the same ground and in a much more systematic manner. Toynbee's criticisms are, however, extremely suggestive, and we shall return to the substance of them later.

Bagehot, in his *Economic Studies*,<sup>1</sup> devotes but ten pages to Ricardo specifically, but his chapters on "The Postulates of Political Economy" and "The Preliminaries of Political Economy" apply equally to him with the later members of the classical school.

Among the influences which impelled Ricardo to produce a work such as the *Principles* Bagehot notes the following: (1) a natural ability for reasoning from intangible data, evidenced by his remarkable success on the stock exchange; (2) the preparation of race—coming from a stock that has always shown an aptitude for abstract and speculative pursuits; (3) the circumstances of the times. The bank restriction which gave rise to an inconvertible currency, and the corn laws which were based upon an attempt arbitrarily to control the price of corn, both gave rise to animated economic discussions, which furnished him with opportunity to exercise his ability; (4) the abstract philosophy of the times, which sought to deduce all laws of government and social activity from a few a priori principles. Such doctrines "must have come like fire to fuel" to a mind predetermined to such a method. His lack of academic education prevented him, if he had even so chosen, from analyzing these a priori assumptions.

Among the "postulates" of political economy which Bagehot assigns as the unreal assumptions of the classical school are:

1. The transferability of labor—the doctrine "that within the limits of a nation labor migrates from employment to employment as increased remuneration attracts or decreased remuneration repels it."
2. The transferability of capital—the doctrine "that it flows or tends to flow to trades of which the profits are high, that it leaves or tends to leave those in which profits are low, and that in consequence there is a tendency—a

<sup>1</sup> 2d ed., London, 1888.



tendency limited and contradicted, but still a tendency—to an equality of profits through commerce.”

3. The nature of the force which lives behind economic activity. It assumes a pure economic impulse, an activity based solely on the desire for gain.

4. The nature of the object sought. This is wealth, that is, anything that will satisfy a human desire.

5. A certain stage of economic activity, namely, one in which land is “limited in quantity and variable in quality” and also in which “the fertility is such that the labor of a cultivator, if he has but a very moderate degree of knowledge and skill, will produce not only a subsistence for himself but also many other persons.”

6. A certain fixed formula for the increase of population. This formula asserts “that in any particular society the power of parents to produce children exceeds the power to provide for them in what those parents think sufficient comfort; whence it comes that either parents must not produce all the children they can or that if they do the standard of comfort in the population must deteriorate, and, if the multiplication continue and the deterioration augment, that the population must die off.”<sup>1</sup>

The relation of all the foregoing to Ricardo is evident when we read (p. 151), “The true founder of abstract political economy is Ricardo.” We shall discuss the significance of this criticism when we come to a somewhat similar criticism by Patten.

Leslie Stephen, in his *English Utilitarians* (London, 1900), has a chapter on Ricardo which interprets him in connection with the utilitarian school. His estimate is in the main in harmony with that of Bagehot. On p. 216 he says: “Ricardo had worked out the main lines of the classical political economy; the system which to his disciples appeared as clean, consistent and demonstrable as Euclid.” And later: “Ricardo’s purpose was to frame a calculus, to give a method of reasoning which will enable us to clinch our economic reasoning.”<sup>2</sup>

Patten has made two very excellent studies of Ricardo, in which he compares Ricardo with Malthus, and interprets the foundations and point of view of the former.<sup>3</sup> The interpretation

<sup>1</sup> For Bagehot’s opinion as to the bearing of these assumptions upon the validity of the conclusions reached, see *op. cit.*, pp. 5, 16–18.

<sup>2</sup> For Stephen’s opinion as to the validity of the conclusions of Ricardo and his followers, see *op. cit.*, pp. 218 ff.; cf. also p. 22.

<sup>3</sup> Simon N. Patten, “Malthus and Ricardo,” *Publications of the American Economic Association*, IV (1889); also “The Interpretation of Ricardo,” *Quarterly Journal of Economics*, VII (1893), 332–52.

is avowedly sympathetic, and accounts for the peculiar traits of Ricardo's conclusions on the basis of his philosophical background, his training, his environment, and the peculiar bent of his interests. The following points may be noted: (1) Ricardo was a product of the city and the stock exchange. He viewed the world from the standpoint of the commercial interests and the trading world. Rent, profit, wages were to him items of the ledger rather than actual living processes. (2) He was dominated by a philosophical conception which saw the world as the working out of a few simple mechanical laws. (3) Lacking any general theory, he studied each problem as a separate concrete phenomenon. His conclusions therefore have not the aspect of general principles, but that of laws of concrete activities. (4) His method was that of selecting one cause or set of causes for each phenomenon that he studied, and following that out into all its minute ramifications and consequences, to the neglect of other influences.

While I find myself in hearty accord with this outline of the premises and characteristics of Ricardo, I do not so fully agree with one of the conclusions drawn by Patten. This conclusion is to the effect that although it was an unreal world which Ricardo described, nevertheless it was of the greatest advantage to have such a hypothetical world carefully analyzed and presented.<sup>1</sup>

While it is true that an advantage does arise from the disentangling of complex phenomena, so that certain influences may be traced in their purity, to state these influences as laws or principles of social activity is nothing short of perversion of the truth. We are not so much concerned here with fixing any praise or blame upon Ricardo or his followers, but conscious or unconscious as Ricardo may have been of the unreality of the world he was describing, *The Principles of Political Economy or Taxation* did stand as the foundation of later classical economics; and no one can easily show that Ricardo's followers did not copy him faithfully. In the case of Adam Smith, Professor Small has shown that his followers did not follow his whole argument, but selected one only, the technological element. But it is entirely different in the case of Ricardo. His ghost cannot rise up and say that he was not taken at his word, and

<sup>1</sup> *Publications of the American Economic Association*, IV, 30 ff.



his whole word. If it is true, as Patten admits, that the world he described was wholly unreal, then it was as incorrect to call his work "The Principles of Political Economy" as it would be to call Moore's *Utopia* "The Principles of Social Science." Perhaps a large measure of blame is to be attached to those who confused Ricardo's world with the real world; but if we may excuse Ricardo on the ground that he was unconscious of his blunder why may we not excuse his followers on the same ground?

But, I repeat, the question for us is not primarily one of fixing the blame, but of pointing out in what respects an error was made in regarding the economic principles of Ricardo as valid social theory. I do not fully share the belief of Leslie Stephen that the claim of scientific accuracy for the classical economy may be said to have become obsolete. Whenever there is a refusal to consider the whole of human personality in any matter of public policy, there is generally a resort to the classical implication that the economic factors are the sole criterion of judgment in the case. We shall continually need as close analysis as possible of the economic factors involved in social activity, but we need also to connect these with other equally prominent factors in making up our complete social theory.

The Ricardian economics is indeed valuable in pointing out the *tendencies* of certain economic forces; but this important function operates as a positive hindrance to correct social theory, so long as we are ignorant of the other factors involved in any real situation. Many of these other factors have already been taken into account in later economic thinking. The purpose of the present study is to further this connecting of the Ricardian principles with other social factors. But it does not enhance the real use to which the Ricardian economics may be put to attempt to free its author from all blame for the formal barrenness into which political economy fell, largely through his influence. The assumption that the economic factors of society could be discussed independently of their relations to other factors is in itself a sufficient ground for the indictment of Ricardo.

Probably the most radical interpretation of Ricardo is that made by Adolph Held.<sup>1</sup> His position is that Ricardo avowedly

<sup>1</sup> *Zwei Bücher zur sozialen Geschichte Englands*, pp. 175-204.

and consciously was working in the interest of the capitalistic class and, with that in view, under the guise of a severely abstract and logical method, was holding a brief against every other interest in society. It is doubtless true, as Held points out, that Ricardo's work was used in the interest of capital, but it is a far cry from this fact to some of Held's assertions.<sup>1</sup> Thus we are told that the doctrine of rent and of the inexhaustible quality of the soil were set up to show that the income of landlords is unjust. Held goes still farther and says (p. 186) that Ricardo had no interest in his own land holdings except to get the increased social and political recognition that came from being a landowner. This is clearly disproved by a letter of Ricardo to Say, published in the *Letters of Ricardo to Malthus* (p. 147, note), in which he speaks as follows:

Since your visit to England I have been by degrees retiring from business; and as our debt is enormous and the price of stock very high, I have from time to time withdrawn my capital and have laid out much of it in land.

Hence it is plain that it was entirely on business grounds that he became a landholder of considerable magnitude. In a speech in the House, June 11, 1823, he says:

It would puzzle a good accountant to make out on which side my interest predominated; I should find it difficult myself from the different kinds of property which I possess (no part funded property) to determine the question.

It is manifestly absurd to picture Ricardo as selfishly defending the capitalist class against the landowners because of a personal bias.

As in the doctrine of rent, so, says Held, the Ricardian theory of profits and wages is a mere means to an end, that end being the arraigning of labor against the landowner, and allying itself with capital for the purpose of furthering the interests of the latter.

Held even follows his clue into Ricardo's parliamentary work, and seems to find in his efforts at reform and sympathy with the Radicals another case of a shrewd defense of the interests of capitalism. In short, the key to his whole doctrine is alleged to be capitalism (p. 204).

The publication of Ricardo's correspondence with Malthus, Trower, and others was too late to be of use to Held in making up

<sup>1</sup> See *op. cit.*, pp. 176, 183, 195.



his estimate of Ricardo. His view is an extreme one, if based on no other data than the *Principles*, but it becomes entirely impossible when viewed in the light thrown on Ricardo by the publication of his correspondence. His practical interests and purposes are doubtless in evidence even in the letters, but these interests are not a one-sided partisanship. These letters present him as a man earnestly and candidly seeking for the truth, with no other interest than the accomplishment of the measures of reform which the establishment of the truth would bring. Whatever of wrong may be laid up against the Ricardian economics, no one can charge their author with conscious partisanship or with the rôle of a narrow special pleader for a particular interest after reading his letters. I shall later indicate the forces by which it seems to me his thought was unconsciously influenced, but his honesty and sincerity no one can successfully question.

Professor Ingram in two articles<sup>1</sup> has given a somewhat comprehensive exposition and criticism of the Ricardian theories. The work is chiefly an exposition of Ricardo's economic system, but contains some criticisms of a wider significance. The greater part of these criticisms deals with Ricardo's method, a subject on which so much ink has been spilled. In several sentences, however, Ingram goes farther, and follows Held in implying that Ricardo was a narrow and sordid defender of the capitalistic class, who was almost if not entirely devoid of any social sympathy. Thus he says: "He shows no trace of that hearty sympathy with the working classes which breaks out in several passages of the *Wealth of Nations*."

In another paragraph Ingram implies that the Ricardian theory of rent was consciously adapted to the creation of a political prejudice. Since Ingram quotes Held, it is probable that he was influenced to some extent by the unfavorable opinions expressed by the latter on the motives and social sympathies of Ricardo. But whether this is the case or not, the same may be said of Ingram's criticisms which has already been said with regard to those of Held. One sentence of Ingram's indicates that he, as many others, has missed the essential error in the Ricardian conclusions. He says:

<sup>1</sup> "Ricardo" and "Political Economy" in the *Encyclopaedia Britannica*.

"he [Ricardo] was an economist only, not at all a social philosopher in the wider sense, as Adam Smith or John Mill."

No just criticism would lie against an economist merely because he confined himself exclusively to the economic field, so long as his economics was correlated with the rest of social reality. I may repeat here the substance of the thesis of this study, namely, that the essential error of the Ricardian economics was that it assumed that there could be a valid science of political economy without recognition of the essential correlation of economic with other social facts.

Jevons, in the preface of his *Theory of Political Economy*<sup>1</sup>, has taken serious issue with the Ricardian economics. But Jevons' criticism is directed largely against the logical deductive method of Ricardo. He proposes to substitute for Ricardo's method a purely mathematical one; that is, simply a reconstruction on a quantitative basis.<sup>2</sup> In addition to the matter of method, Jevons takes issue with the Ricardian theories of rent, wages, value, on the ground of their relation to one another in the productive process. The relative merits of the logical deductive method of Ricardo and the mathematical method of Jevons, and the relations of the factors of production to one another, are both matters that lie in the field of economics rather than in that of sociology, and do not, therefore, call for discussion within the scope of this paper.

Among the innumerable evaluators of Ricardo, we mention merely the following:

Richard Schüller has undertaken a defense of Ricardo and the other classical economists against their critics.<sup>3</sup> He makes no attempt, however, to take up systematically the Ricardian economics in their essential elements and to point out the underlying principles. His method is that of searching for proof-texts rather than that of critical analysis.

Karl Diehl has given a somewhat voluminous criticism of Ricardo.<sup>4</sup> The work is chiefly devoted to a critical survey of the

<sup>1</sup> 2d ed., 1879.

<sup>2</sup> Pp. xv and vi.

<sup>3</sup> *Die klassische National-Oekonomie und ihre Gegner*, Berlin, 1895.

<sup>4</sup> *Sozialwissenschaftliche Erläuterungen zu David Ricardos Grundgesetzen der Volkswirtschaft und Besteuerung*, Leipzig, 1905.



doctrines of Ricardo on the technically economic side, with which we are not here concerned. The last chapter is devoted to a general estimate of Ricardo and his importance for the history and the method of social science. But the discussion does not fulfil the promise of the title. It amounts to little more than a discussion of various phases of Ricardo's method. Diehl does not attempt to account for the origin of Ricardo's principles, but confines himself almost entirely to the logical character of the economic laws involved.

P. Beauregard has a brief introduction to the Ricardian economics prefixed to his edition of the chapters of the *Principles* dealing with value, rent, wages, and profits.<sup>1</sup> The introduction is devoted chiefly to a résumé of the leading doctrines of Ricardo's economics, with occasional remarks on the social significance of the *Principles*. The author's chief criticism of Ricardo is directed against his method and the temporary validity of his assumptions. Beauregard has high respect for the depth of Ricardo's thinking,<sup>2</sup> but he takes no notice of the lack of correlation of the economic factors with other social elements.

A recent brief interpretation of the Ricardian economics is that of Cannan.<sup>3</sup> The position that Ricardo's work is that of an exact logician, working in a pure science regardless of practical applications, meets here a direct contradiction. Cannan describes the work of the whole group of nineteenth-century economists as one of an eminently practical nature, designed to accomplish certain tangible results in the public policy of the period,<sup>4</sup> but he does not allow the practical aims of their work and the usefulness of their theories for solving temporary problems to blind him to the defects of their theories when viewed as final social theory. On p. 392 he says: "However lucky Error may be for a time, Truth keeps the bank, and wins in the long run. Mistakes which were harmless in the discussion of free trade, the poor-law and the resumption of

<sup>1</sup> P. Beauregard, *Ricardo: Rente, Salaires et Profits*. Paris: Guillaumin's Petite Bibliothèque Économique.

<sup>2</sup> For example, pp. xii, xxv, xxvii.

<sup>3</sup> *Theories of Production and Distribution*, 2d ed., London, 1903.

<sup>4</sup> Cf. pp. 383 and 387.

cash payments, have often been extremely pernicious in their influence on the later controversy." According to this view, then, Ricardo's economics, far from being pure science, is so intensely practical that its vision does not extend beyond the particular conditions and problems with which its author was concerned. We shall dwell at greater length on the significance of this point of view in the section of our argument to which we now turn.

## PART II. THE HISTORICAL SETTING OF THE RICARDIAN ECONOMICS

On the basis of the foregoing review of the Ricardo literature, we may now briefly summarize the influences which helped to give character to our author's economic theories. These may be grouped under the following three heads: (1) his training; (2) the social situation and problems which confronted him; (3) the social and political philosophy which dominated all his thinking. I do not assume that the Ricardian economics can be entirely explained by an analysis of these influences which played upon their author. To do so would be to revert to the philosophy in which Ricardo himself lived, namely, that which attempted to account for all human activity by the particular combination of mechanical forces. But, on the other hand, it would be an equally egregious error to fail to recognize these influences in attempting to relate his conclusions to general social theory.

His life<sup>1</sup> is a typical case of a man devoted during both his period of education and his constructive period to business pursuits. Driven to the stock exchange at fourteen years of age from force of circumstances, he became its master. To be master of the market requires that one's vision be clearly fixed upon a small section of reality at a time. It demands close work, decisive action, few theories. That he was, during the entire constructive

<sup>1</sup> The sources for our information of Ricardo's life are: (1) McCulloch's brief account in the introduction to his edition of Ricardo's works, in which he says that he is indebted for the particulars to a relative of Ricardo; (2) Ricardo's letters to McCulloch (edited by J. H. Hollander, *Publications of American Economic Association*, X); his letters to Hutches Trower and others, edited by Hollander and Bonar; and his letters to Malthus, edited by Bonar.



period of his life, thus engrossed must have made his view of the world essentially that of the man of affairs. That he was successful on the exchange is evidence in itself of a bent toward application to minute details rather than an interest in general situations. Nothing short of a miracle could have prevented this natural bent, together with the dominant interest of the whole period in which his conception of the world was being formed, from narrowing his vision to the limited range of a practical man of business. The world became to his intellectual vision a simple interplay of bare economic forces. Men and events were to be explained only in the light of their economic activity. He was led farther in the same direction by the social conditions and problems of the period. The changes brought about by the Industrial Revolution were already working. Adam Smith had lived at the beginning of the great upheaval, but he did not represent it. The industry that he speaks of is hand industry and largely household industry. Ricardo lived in the full swing of machine and factory production. Smith gave to a machine the name of "labor-saving device." It was still subject to the man. Ricardo saw the man subject to the machine. He did not consciously recognize the different economic problems presented by the difference of situation. His range of survey was not general enough for that. He only looked out upon a world in which the man seemed to be merely one of the instruments in production. He did not stop to inquire whether this had always been the situation. He only saw that it was true in his world.

Moreover, capital had now become a dominant influence in production. Here again he did not stop to inquire into the historical significance of the fact. From his operations on the exchange and from his observation of the industrial world he was forced to recognize that capital was a prime requisite in production. Smith had recognized the justice of a profit on stock, but it loomed less big on his horizon than on the horizon of Ricardo. Money had now come to the place where it could initiate industrial enterprises. The management of property with a view of gain was the great economic concern. Exchange and distribution were brought to the front as the central economic activities, with production and consumption as secondary forms.

Production was controlled by the market and consumption was taken for granted in the pleasure-pain economy. Since every individual wanted to have pleasure and escape pain, he would consume all he could get, and the amount he could get was governed by the laws of distribution.

In this world, dominated by mercantile ideals and viewed from the mercantile viewpoint, competition had come to be a relentless struggle. This competition between traders, which was practically the only kind that Ricardo knew, was a competition of equal economic units. The inequality of the individual laborer when brought into competition with the employer did not occur to him. It was the uncompromising battle between traders that gave Ricardo his picture. Moreover, the days of great combinations and corporate interests had not yet arrived, and individuals competed with individuals. Again, the competition that he knew on the stock exchange was between men who knew the field. No other occupation would give a man such general knowledge of business conditions over the whole country. The equal knowledge of opportunities that played such an important rôle as an assumption in his theory was approximately a reality in his world.

Again, his assumption of the mobility of capital and labor was based upon a measure of reality in Ricardo's world. Capital and labor were moving from one trade to another, and from one part of the country to another, with great rapidity. Here again it was doubtless not so general a phenomenon as Ricardo assumed, but it was sufficiently a reality to impress itself upon an unacademic mind as a part of the regular and natural order of things, which might easily be regarded as universal in time and space. The application of machinery was not uniform for all industries. This led to a release of laborers from some industries and a large demand for them in others. The result was a constant migration of laborers from one trade to another. Moreover, the localization of industries which was just beginning depopulated some districts and built up others. Capital shifted rapidly from one trade to another according as mechanical inventions raised or lowered profits in particular trades. From 1770 till after Ricardo's death was the great period of transition, during which capital and labor were becoming adjusted



to the new conditions of trade and manufacture; and the world which impressed itself upon Ricardo's mind was one of unsettled and changing conditions.<sup>1</sup> It was but natural that he should assume that freedom of capital and labor to move rapidly from one trade to another was a natural and continuous condition.

From the foregoing two things are evident: (1) The economic man, whose unreality has been so generally asserted, came much nearer to being a reality in Ricardo's day than at any time since. Keen, restless, relentless, seeking money and little else, such is very nearly a description of the actual trader that Ricardo knew, the dominant factor in the economic activity of his day. (2) The assumptions of free competition between equal units, general and equal knowledge of all economic opportunities, free mobility of capital and labor, all existed to a sufficient degree to impress themselves thoroughly on the mind of a practical man of affairs. But it scarcely needs to be pointed out that the conclusions reached from such premises would not be valid in a situation where competition has been very largely supplanted by combination as the significant mark of economic activity; when, even with increased means of communication and publicity, profits in particular industries remain hidden; when, with increasing division and specialization of labor, its mobility becomes a small factor; when, under great combinations of impersonal capital, the individual laborer has practically no choice in making a wage contract.

Not only did contemporary conditions of the industrial world furnish Ricardo with his most important premises, they also furnished him with his particular problems. Because of the issue of inconvertible paper currency, there had come about a rise in the market price of bullion. In consequence of the depreciation of the paper currency, property values were seriously endangered and business conditions suffered. Ricardo saw that the solution of the difficulty lay in a reduction of the quantity of notes in circulation till their value might rise to a par with bullion. As a practical business man he turned his attention to the subject and discussed it with various friends. His views came to the attention of the editor of

<sup>1</sup> See Cunningham, "Growth of English Commerce and Industry," *Modern Times*, pp. 614-20.

the *Morning Chronicle*, who finally induced him to publish a letter on the subject in the columns of the *Chronicle*.<sup>1</sup> This letter appeared in the issue of August 29, 1809, and marks Ricardo's first venture into the field of authorship. The letter was sharply attacked, and Ricardo replied in the issue of September 20. His critic replied, and Ricardo sent the last instalment of the controversy for the issue of November 23. In 1810 appeared his first pamphlet, *The High Price of Bullion a Proof of the Depreciation of Bank Notes*. This is an enlargement of the point of view set forth in the letters, but it is not by any means simply a reprint. It is a more systematic and elaborated setting forth of Ricardo's monetary theory.

The purpose of the letters and the pamphlet is manifestly practical. The first paragraph of the first letter reads:

The present high market price above the mint price of gold appears to have engrossed a great portion of the attention of the public; but they do not seem to be sufficiently impressed with the importance of the subject nor of the disastrous consequences which may attend the further depreciation of paper. I am anxious, whilst there is yet time, that we should retrace our steps and restore the currency to that healthful state which so long existed in this country and the departure from which is pregnant with present evil and future ruin.

And near the close of the pamphlet Ricardo says: "We must keep our eyes steadily fixed on the repeal of the restriction bill."<sup>2</sup> It is evident, therefore, that the repeal of the law which made the paper notes inconvertible was the object in view when Ricardo began his writing on the subject of political economy. His remedy was to compel the Bank of England to redeem its notes in gold at face value. This would naturally lead the Bank in self-defense to call in the notes, until the smaller number caused a rise in their value to parity with gold. His argument is the familiar one that

<sup>1</sup> The popular impression that Ricardo prepared a series of letters which were published in the *Chronicle* and were systematized into the pamphlet on the high price of bullion is due to McCulloch's carelessness in the preparation of this part of Ricardo's biography which appears in his introduction to the works of Ricardo. For an exact account of the appearance of the letters, their text, and the errors in McCulloch's account, see *Three Letters on the Price of Gold*, an economic tract by David Ricardo, edited by J. H. Hollander.

<sup>2</sup> McCulloch, ed., *Works*, p. 290.



the value of money with reference to other commodities depends on its quantity, and that this value will be kept at practically a level all over the civilized world if freedom of intercourse and exchange is maintained. To make his point he falls back on a theory of value which he took from Adam Smith and later elaborated in the *Principles*:

Gold and silver like other commodities have an intrinsic value which is not arbitrary, but is dependent on their scarcity, the quantity of labour bestowed in procuring them and the value of the capital employed in the mines which produce them. . . . This value was antecedent to and independent of their being employed as coin and was the quality which fitted them for that employment.<sup>1</sup>

Here then, in an effort to stop the depreciation of the currency, we find the beginnings of the theory of value which became one of the cornerstones of the Ricardian economics. That this theory is well adapted to his prime purpose is evident from the fact that the Bullion Committee in its report adopted the point of view of Ricardo. But how useful the theory was as a foundation of the social conception of value is another matter. We shall discuss this when we come to a consideration of the text of the *Principles*.

Apart from the theory of value, the treatment of rent, profits, and wages constitutes the essential part of the Ricardian economics. But we find that this too was born out of the stress of practical politics. In 1815 the question of the corn laws came prominently under discussion. Malthus put forth his essay on *The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn*, and another on *An Inquiry into the Nature and Progress of Rent*. Ricardo at once accepted Malthus' general views, but differed from him on the practical expediency of a continuance of the restrictions on the importation of corn. He therefore wrote his *Essay on the Influence of a Low Price of Corn on the Profits of Stock, Showing the Inexpediency of Restrictions on Importation*. Here again Ricardo's purpose was the accomplishment of a practical reform, namely the abolition of the corn laws. And as in his advocacy of finance reform, here also he seeks to accomplish his purpose by the use of a theory especially adapted to the end in view.

<sup>1</sup> McCulloch, ed., *Works*, p. 263.

He takes the theory of rent propounded by Malthus, and, carrying it a step farther, draws out of it his theory of profits and wages; but all for the purpose of showing that the interests of the country would be advanced by cheap corn. This is evident from his introduction.<sup>1</sup>

In order to show that the corn laws should be repealed, he begins with the so-called Ricardian theory of rent, but actually quotes from Malthus.<sup>2</sup> He then relates profits to rent,<sup>3</sup> and reaches the following practical conclusion:<sup>4</sup>

If, then, the principles here stated as governing rent and profit be correct, general profits or capital can be raised by a fall in the exchangeable value of food, and which fall can only rise from three causes:

1. The fall of the real wages of labour, which shall enable the farmer to bring a greater excess of produce to market.
2. Improvements in agriculture, or in the implements of husbandry, which shall also increase the excess of produce.
3. The discovery of new markets, from whence corn may be imported at a cheaper price than it can be grown for at home. . . .

Profits, then, depend on the price, or rather on the value of food. Everything which gives facility to the production of food, however scarce, or however abundant commodities may become, will raise the rate of profits, whilst on the contrary, everything which shall augment the cost of production without augmenting the quantity of food, will, under every circumstance, lower the general rate of profits. The facilities of obtaining food are beneficial in two ways to the owners of capital; it at the same time raises profits and increases the amount of consumable commodities. The facilities in obtaining all other things only increase the amount of commodities. . . .

If, then, the prosperity of the commercial classes will most certainly lead to accumulation of capital, and the encouragement of productive industry; these can be by no means so surely obtained as by a fall in the price of corn. . . .

If corn can be imported cheaper than it can be grown on this rather better land, rent will fall and profits will rise, and another and better description of land will now be cultivated, for profits only. In every step of our progress, profits of stock increase and rents fall, and more land is abandoned; besides which, the country saves all the difference between the price at which corn can be grown, and the price at which it can be imported, on the quantity we receive from abroad.

As in his advocacy of finance reform, Ricardo's theories of rents and profits were excellently adapted to their immediate end.

<sup>1</sup> McCulloch, ed., *op. cit.*, p. 369.

<sup>2</sup> *Ibid.*, p. 371.

<sup>3</sup> *Ibid.*, pp. 371-73.

<sup>4</sup> *Ibid.*, pp. 381, 388-89.



When, however, we turn to the *Principles* and find these same theories divorced from the practical ends with which they were first connected, we are at a loss how to judge them. The practice has been to read the *Principles* by itself without reference to the discussions under which the theories took form. But in the light of the origin of those theories, it is evident that to divorce them from the practical considerations that called them forth is to miss the whole import of the Ricardian economics.

The Ricardo literature has not sufficiently emphasized what this shows as to the scope of Ricardo's vision. Leslie Stephen to a slight extent, and Cannan to a greater extent, have pointed out the practical purposes of these first contributions. But it needs to be further recognized that the *Principles* was, because of the origin of the arguments contained in it, necessarily a purely technical treatise, with a social horizon that was bounded by the money market and the price of corn. Nowhere in it does Ricardo rise to the point of placing his argument in connection with social facts of a wider significance.

On this point he is in marked contrast with Smith. Professor Small has clearly pointed out<sup>1</sup> that Smith's economic principles were a technical treatise within a larger social philosophy. Smith came to the *Wealth of Nations* with a clearly defined theory of the whole of life, and proceeded to discuss economic principles as a section of this larger theory, occupying a definite but limited place in the whole. Ricardo, however, instead of proceeding from the whole to the part, went from the part to the whole. He began with his interest and attention fixed upon a purely technological task, and proceeded to enlarge this into a treatise on economics in general. And just as the *Wealth of Nations* shows in nearly every chapter its relation to the larger whole, so the *Principles* shows equally its origin in the discussion of matters of limited social significance. To regard, therefore, Ricardo's *Principles* as a discussion of problems of wide social significance is to read into it a conception which doubtless never occurred to the author. He had no clearly defined social philosophy. He had no theory of society, consciously held, to which his economic principles were amenable. As a man of

<sup>1</sup> *Adam Smith and Modern Sociology*, noted above.

affairs, with a deep interest in the practical outcome of certain policies, he undertook to present clear and cogent reasons in support of certain policies and against other policies. In doing so he made use of a form of argument that seemed to take in general and universally valid social laws. Having his particular problems in mind, he in all probability did regard these conclusions as universal in their application, *but only concerning those problems which he had in mind*. There is no evidence that his attention or interest was at all fixed upon facts of a wider social significance than those immediately concerned with business enterprises. How closely his conclusions followed the bent of his principal interests is evidenced in his remark to Malthus concerning the nature of political economy. He says:

Political economy you think is an enquiry into the nature and causes of wealth; I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation.<sup>2</sup>

Not less important than his economic assumptions are those of a philosophical and political character. He was, if possible, more unconscious of the existence of these than of the former. His complete divorce from academic life rendered any systematic elucidation of these assumptions impossible, but it also rendered his allegiance to them all the more fixed, just because they were the unchangeable and (by him) unseen foundations of all his thought.

Among the more important of these underlying postulates was the belief in the beneficence of liberty in all departments of life. Ricardo was engaged in continuing the fight which Adam Smith had so valiantly begun against commercial and industrial restrictions. It was a part of the universal thirst for freedom that had seized the leading minds of the age. Industrial and commercial freedom and freedom of contract were bound up together with political freedom. Liberty in all departments of life was the panacea for all human ills. There was no malady of the social body that would not undoubtedly disappear before the wonderful magic of this new-found power.

<sup>2</sup> *Letters of Ricardo to Malthus*, p. 175.



Closely connected with this conception was that of the identity of individual and social interests. If left free to choose for himself, the individual would eventually do that which would be best for both himself and society. The good of society was simply the sum of the good of individuals. Bentham said that he was the spiritual father of James Mill and that Mill was the spiritual father of Ricardo, so that the latter was the spiritual grandson of Bentham.<sup>1</sup> The whole system of narrow individualism was the unconscious background of all of Ricardo's philosophizing. Bonar<sup>2</sup> has attempted to show that Ricardo's individualism came from Smith rather than from Bentham, that all his political and social philosophy was reached through his economic doctrine of industrial and economic *laissez faire*. It is doubtful whether we have sufficient data concerning Ricardo's relation to Bentham to reach any valid conclusion on this point, but for our present purposes it is unnecessary to raise the question of the source of his individualism. It is certain that if he did get it from Smith it was a very distorted copy. The important thing, however, is that Ricardo reflects the atomistic social philosophy of the period, and never thinks it necessary to question its validity.

In the essay on *The High Price of Bullion* we have a frank expression of this:

It is self-interest which regulates all the speculations of trade, and where that can be clearly and satisfactorily ascertained we should not know where to stop if we admitted any other rule of action.<sup>3</sup>

Again, in a speech on parliamentary reform, he says, concerning the forces that move men to action:

Let me know what the state of their interest is and I will tell you what measures they will recommend. . . .

The sanctions of religion, of public opinion and of law all proceed on this principle, and that State is most perfect in which all these sanctions concur to make it the interest of all men to be virtuous, which is the same thing as to say, to use their best endeavor to promote the general happiness.<sup>4</sup>

<sup>1</sup> Bowring's *Life of Bentham*, quoted by Bonar, *Letters of Ricardo to Malthus*, p. 55.

<sup>2</sup> *Letters of Ricardo to Malthus*, pp. xi-xv.

<sup>3</sup> McCulloch, ed., *Works*, p. 292.

<sup>4</sup> *Ibid.*, p. 554.

Behind all this was the firm belief in a natural order which was the norm to which all human activities tended to conform if left free to do so. There was always one right way of doing anything, and only one right way. The ideal of industrial and commercial activity, as well as of moral and political actions, was to find out what this absolute norm is and then permit men to conform to it. The possibility of a given type of activity being normal under one set of circumstances and abnormal under others was a heresy undreamed of in the philosophy of the period.

And not only was there one norm for all men and all activities to conform to, but all men were made in exactly the same mold, and could be explained by a few simple terms. The association psychology and the pleasure-pain scheme of utilitarianism would enable one beforehand to describe the activity of any man, provided one knew the mechanical influences that would be brought to bear upon him. Given a few simple forces that played upon an individual, and his activity in any direction was as certain as that the tides would rise and fall in response to planetary attraction and repulsion.

A world operated by fixed and eternal natural laws, which always tended to approach an absolute norm, a world where freedom was not only possible but desirable above all things, where the good of all would inevitably result from each seeking his own, and a race of men whose actions were the mechanical results of external forces operating through a response to a pleasure-pain economy, were the materials that furnished a background for Ricardo's economic abstractions.

But the Ricardo that we see in the *Principles* was not the Ricardo of real life. Because people have insisted on seeing in the *Principles* a complete scientific work, the embodiment of all his philosophy of life, they have of necessity created a picture of a cold, heartless, sordid, scheming capitalist whose whole world had dwindled to the mad fight for wealth. Held, whose view we have noted above, is a typical exponent of this phase of opinion. Scarcely anything could be farther from the truth. His correspondence reveals him as a warm friend. Malthus, with whom he had the sharpest differences on economic problems, writes



that he never loved anybody out of his own family so much. And the austere James Mill was overcome with grief at his death.

His career in the House of Parliament shows a warm espousal of reform measures. The extension of the suffrage, more frequent sessions of Parliament, secret voting, reform of the poor law, reform of the method of choosing members of Parliament, freedom of the press, all found in him an active and alert advocate. In a letter to McCulloch he refers to being treated as an ultra-reformer,<sup>1</sup> and in writing to Malthus he remarks that in six walks James Mill and himself could make a "very tolerable reformer" of Malthus.<sup>2</sup> In another letter to Malthus,<sup>3</sup> in speaking of the political conditions in France, he says:

I hope in that quarter there will be no interruption of the present order of things for some time to come; but if they do make a movement, I trust it will be for the purpose of securing more effectually the liberty of the people by perfecting as far as human means can perfect the representative system. There is nothing on which the happiness of the great body of people so much depends.

Surely these are not the words of a man who, either from atrophy of a part of his humanity or from conscious purpose, was interested only in a narrow economic activity.

McCulloch tells us that he contributed to nearly every benevolence in London and supported entirely two schools and an almshouse near his country seat. In writing to Malthus in reply to some observations the latter had made on the condition of the people in Ireland, Ricardo says:

Happiness is the object to be desired and we cannot be quite sure that, provided he is equally well fed, a man may not be happier in the enjoyment of the luxury of idleness than in the enjoyment of the luxuries of a neat cottage and good clothes. And after all we do not know if these would fall to his share. His labour might only increase the enjoyments of his employer.<sup>4</sup>

There is nothing to show that, when he was not beset by the apparition of the economic man, his philosophy of life did not hold, without any questioning, happiness and well-being as the goal of all human effort. It would be a difficult task indeed to show that he was not a lover of his kind and completely human in

<sup>1</sup> *Letters of Ricardo to McCulloch*, Letter XV.

<sup>2</sup> *Ibid.*, Letter LXVI.

<sup>3</sup> *Ibid.*, Letter LXXII.

<sup>4</sup> *Ibid.*, Letter LXI.

his whole attitude toward life. It was only when he put on the colored glasses of a segregated political economy, and attempted to describe economic activity as an isolated phenomenon, that he saw the world awry. Or rather, his attention became so fixed upon this small section of reality that he described it as though he were describing the whole of life. His followers forgot the circumstances that had limited his vision to a narrow technology, and took it for granted that he was describing actual social reality. They went on implicitly denying the existence of any other elements in life until classical political economy found itself an esoteric system of dismal sophistries. We must hold Ricardo responsible for making the first great departure from the inclusive moral philosophy of Smith, but we must also hold his followers responsible for failure to see that Ricardo's political economy was not his whole philosophy of life; that the lack of correlation between his economics and a larger social philosophy was due to such peculiar circumstances as his training, the social and political philosophy of the period, and the technical, concrete problems which attracted his attention. Such recognition would have resulted in placing Ricardo in a much more favorable and just light before a later generation, and also in helping to save political economy from becoming the science of an unsocial commercialism.

We may summarize the thesis of our argument as follows: The defect of Ricardo's *Principles* is not that his conclusions lack practical application. They are intensely practical, in that they represent the efforts of an entirely human, public-spirited man to solve some specific problems peculiar to his day. The process consisted of passing a particular social philosophy and some particular social facts through the mind of an intensely practical and, at the same time, intensely abstract thinker. The outcome was conclusions whose chief defect lies in the fact that they treat economic activities as separable from the whole of human experience; from which point of view was developed a political economy that was unreal and non-moral where not actually immoral in its influence.

We shall now subject Ricardo's *Principles* to an analysis, in order to point out in what respects the treatise is a narrow

technology, whose lack of correlation with a larger moral order renders its conclusions invalid for an inclusive social theory.

### PART III. ANALYSIS OF THE TEXT

#### PREFACE: THE METHOD AND SCOPE OF POLITICAL ECONOMY

As to Ricardo's method little needs to be said. That in form at least it is rigidly and uncompromisingly logical has required no demonstration to anyone who has read a page of the *Principles*. That it is in reality not so logical is a fact that has not been so generally recognized. Mr. Gonner, in the introduction to his edition of *The Principles of Political Economy and Taxation*, has pointed out in some detail the illogical character of much of it, the numerous and almost inexcusable errors, and the faulty arrangement. But undoubtedly the particular cast of Ricardo's mind, which gave to his work such an abstract character, has in itself much to do with the estimation of his work as a treatise in pure science. That is, the form has given to the content a character that would probably not otherwise have been attributed to it.

Ricardo undoubtedly regarded science as an elucidation of general principles divorced as far as possible from particular facts.<sup>1</sup> In short, the science of political economy, for Ricardo, should disengage itself as far as possible, in form, from any explanation of actual situations, and confine itself to those general principles or forces that operate over a wide area and through wide differences of circumstances. We have already commented on the fact that in reality Ricardo was not, in content at least, following this ideal, even though he may have thought that he was. His principles were worked out with special reference to concrete problems, such as the high price of bullion, the corn laws, and the poor laws. However much he may have thought that he was pursuing an abstract science, in reality his mind was directed toward the solution of these concrete problems. His method was not, therefore, in keeping with his actual purpose.

And not only was his real purpose closely connected with actual situations; his philosophy, both social and political, was of the earth, earthy. That is, even when he thought that he was escaping

<sup>1</sup> *Letters of Ricardo to Malthus*, Letters IX, LIII, LXXI, XXXVI.



from the entanglements of earthly details and declaring principles that were true of human nature under all circumstances of time and place, he was actually describing the English world of the early nineteenth century, or rather the particularly small part of it that came under his business man's vision, and looking at this small section of reality through the colored glasses of the *laissez faire* philosophy of the period, and the mechanical associational psychology which explained all men as automatons that worked according as the pleasure or pain string was pulled.

In short, the method that Ricardo essayed was neither consistent with his actual purpose nor possible of application, in strictness, by any writer, and least of all by one whose training and experience had rendered it impossible for him to analyze the two presuppositions that beset him like the unobserved ether.

As to the content of political economy, we find his conception in the first three paragraphs of the Preface to the *Principles*.<sup>1</sup> According to Ricardo the central problem for political economy is distribution. Production is governed and directed by the market. Hence any theory of it is unnecessary, since it will be explained when the operations of the market and exchange are explained. Consumption, likewise, is a secondary phenomenon. Consumption is pleasure, privation is pain. Every individual will secure all of the one and avoid all of the other that is possible. The exact amount that he is permitted to consume is determined by the laws governing the distribution of the goods of the community.

We have here in essence all that is required for the typical shopkeeper's economy. Adam Smith had taken consumption as the end of all economic activity. Ricardo does not explicitly declare that any other end is the goal of the economic activity which he describes, but it is the emphasis which he puts upon distribution and exchange which leads the way for later writers wholly to neglect consumption. Doubtless a few Socratic questions put to Ricardo would have elicited the fact that he too regarded the consumption of the goods of life as the real goal of economic activity. But here at the beginning we find this unconscious implication that economic activity

<sup>1</sup> The references to the text of the *Principles* are to the edition of E. C. K. Gonner, Bohn Libraries, London, 1903.

could be divorced entirely from all the moral ends of life, and studied as an activity which has its beginning and its end in itself. A viewpoint which had consciously recognized the necessary correlation of the distribution of wealth with the object for which it was distributed would have prevented that omission of consumption from classical economics which was in large measure responsible for many of its non-moral if not immoral consequences.

Production, while equally neglected with consumption here, does find its place later as an essential and primary part of the process. In fact, it came to assume the place that consumption had occupied for Adam Smith, the goal of the activity. The process by which this took place is a chapter in later economic history with which we are not concerned at this point. As we shall see later, there were elements in Ricardo's treatment of capital which directly furthered this step, but here it is sufficient to note that the first step is taken toward bounding the horizon of economic activity by its own circuitous processes when the goal of consumption is omitted.

We should not leave this point without repeating that there is no purpose whatever evident here on the part of Ricardo thus to limit his field. There simply is an unconscious implication. But the implication, unconscious as it was, opened the way for that philosophy of life which exalted the trader into the position of the arbiter of human destiny.

When Ricardo divides society into three classes according to their particular share of the profits—the landlord, the owner of capital, and the laborer—he is simply naming the divisions of the society of his day. It never occurred to him that there could be a division based upon any other principle. For him that was the “natural” or normal state of society at all times and in all stages of development. To have suggested that there had one day been, or that there would in the future come about, a situation in which there was a different division, would have caused as much surprise as to have questioned the rightness of the system. In fact, it is hard to see how there would be any science of political economy left for Ricardo if his system of society should change; since, as he saw it, the problem of economics is to determine the portions which

fall to the various classes of society as constituted in his day. If, for example, we should institute the division suggested by Plato in his *Republic*—the rulers, the defenders, and the laborers—it would puzzle anyone to see how the division of the goods of society could be made on the same basis as it was in Ricardo's day. Moreover, in our own day, when the government has undertaken various economic activities, it requires a wholly artificial division of the products of such activity to say that a part is rent, a part interest, and a part wages, when the community as a whole is at once capitalist, producer, and consumer.

With Ricardo the prevailing division is no temporary one which may give place to some other sort under different circumstances. It is the "natural course" into which "the produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital—is divided among the three classes of the community." In "different stages" the proportion "will be essentially different," but in all stages these are the three "natural" ones. We need enter into no exposition of the different applications of the terms rent, profit, and wages by later economists, to see that Ricardo's division is not the essential and "natural" one under all circumstances. On the other hand, it does not diminish the real value of Ricardo's conclusions, as important steps in the development of economic thinking, to recognize that his division is not a final one. It is important to note, however, that the limitation that he thus puts upon political economy would render it a mere jumble of words if applied to a different social situation from that which he was describing. It indicates that he was describing some of the external phenomena of economic activity, rather than the fundamental character of such activity as an integral part of the whole social process.

In the second paragraph of the Preface Ricardo hints at a line of investigation which, if followed out, would have carried him far from the conclusions which he did reach. He says that in the different stages of society different portions will fall to the several classes. This is essentially a dynamic conception of society, a conception of a process in which, with each new step, there is a readjustment of the constituent forces and the striking of a new



equilibrium. It is impossible of course to know how far Ricardo recognized such an idea as a dynamic one. It raises, however, an interesting speculation as to what the results would have been had he allowed that idea to become operative in his treatment. Standing as it does, it only helps to throw into bolder outlines the rigidity of the statical conception which he actually developed.

The factors determining the actual division are, "mainly," says Ricardo, the fertility of the soil, the accumulation of capital and population, the skill, ingenuity, and instruments employed in agriculture. Here again it is impossible to determine the exact meaning. The term "mainly" may indicate only the more generally important factors or may indicate practically all the factors that Ricardo recognized as of any importance. Such elements as different degrees of efficiency of labor, the combination of laborers into organizations, and the massing of capital into enormous impersonal agencies of control are examples of some other factors that might consciously creep in through this loophole if a loose construction is to be applied to Ricardo's words. We shall see, however, that in his treatment he confines himself to those factors that he regards as the "main" ones, thus implying at least that the others are negligible.

## CHAPTER I: VALUE

### *Section I.—*

The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour.<sup>1</sup>

It would be entirely beside our purpose to enter here upon any criticism of the Ricardian theory of value, on its economic side. This has been done in detail and with painstaking effort by many economists. We propose merely to point out some of the more important sociological implications imbedded in the theory. Here, as in many other places, it is difficult to know whether the vagueness and apparent inconsistencies are due to an indefiniteness in thought, or to his oft-mentioned literary infelicities. His

<sup>1</sup> P. 5.

obvious object is to show that value is a relative matter.<sup>1</sup> But in the following he manifestly is groping after some absolute standard:

Two commodities vary in relative value, and we wish to know in which the variation has really taken place. If we compare the present value of one, with shoes, stockings, hats, iron, sugar, and all other commodities, we find that it will exchange for precisely the same quantity of all these things as before. If we compare the other with the same commodities, we find it has varied with respect to them all: we may then with great probability infer that the variation has been in this commodity, and not in the commodities with which we have compared it. If on examining still more particularly into all the circumstances connected with the production of these various commodities, we find that precisely the same quantity of labour and capital are necessary to the production of the shoes, stockings, hats, iron, sugar, etc.; but that the same quantity as before is not necessary to produce the single commodity whose relative value is altered, probability is changed into certainty, and we are sure that the variation is in the single commodity; we then discover also the cause of its variation.<sup>2</sup>

If of two commodities one only has varied, there must be some fixed standard from which it has departed, for if the variation were relative there would be no need of ascertaining which one had changed, since with reference to the other each has changed.

Here we find an excellent example of Ricardo's inability to escape from his assumptions, and the assumption here is the existence of a natural, normal, absolute something behind all social phenomena. While trying to establish the relative character of value, there lingers in his mind the feeling that there was a natural something, all departures from which were temporary and in the nature of exceptions. This idea of absoluteness runs through all the political and social philosophy of the period. There was one right way and only one right way of doing anything. Political economy was the science that dealt with eternal fixed laws and principles in the realm of economic activity, and, while particular cases were generally imperfect results of the working of these laws, the departure from the absolute was a temporary exception which might for scientific purposes be neglected. This idea lies behind many of the injustices of social relations that were perpetuated in the name of natural law. We shall see later how it worked out in the theory of wages. As applied to the sphere of government it

<sup>1</sup> P. 11.

<sup>2</sup> P. 12.

took the form of *laissez faire*, and as applied to ethics it erected a code of conduct that found its completest expression in the Kantian ethics. Ricardo gives it its best expression in political economy. A second fundamental assumption is found on p. 7:

In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint.

Ricardo is to discuss only those commodities on the production of which competition operates without restraint. Just how far this is a picture of what Ricardo actually saw in the world in which he lived it is impossible to say. It may be granted, however, that what he saw in the industrial and commercial world at large, and particularly in that branch of it on which his almost life-long attention was fixed, corresponded much more nearly to this statement than conditions do today. It may also be granted that the degree to which it was true in his particularly restricted world would have considerable tendency to convince a man of affairs that it was generally true. But it cannot be granted that any such condition as he describes ever did actually exist in all its rigidity. If he meant that he was describing the operation of general laws that were sometimes interfered with, and that therefore he was abstracting from the sum total of social phenomena, for the purpose of studying these laws by themselves, we may reply that he is only describing what might be if things were not as they are. Senior carries this point of view to its logical end when he says: "Political economy is not greedy of facts; it is independent of facts." No argument is necessary today to show that a state of unrestrained competition is neither desirable nor possible. A political economy based upon such an assumption, therefore, can at best show only the tendencies of certain forces operating in conjunction with other forces. But when the existence of the other forces is either denied or entirely neglected, such a political economy ceases to be a science, even in the most attenuated conception of the term.

The measure of value, says Ricardo, is the quantity of labor expended on the production of a commodity.<sup>1</sup> He was too thor-

<sup>1</sup> Pp. 7 and 8.



oughly imbued with the hedonistic philosophy not to feel that labor cost ultimately was measured in pain. But not being an academic philosopher, he makes no explicit statement that the amount of pain suffered was the real measure of value. If he had done so he would have been confronted with the difficulty of measuring pain. His lack of academic finesse, however, saved him the trouble of going farther back than simply to quantity of labor.

Ricardo's whole discussion of value and price takes Smith's discussion as the starting-point. And although he criticizes Smith for failure to recognize the variability of labor as a measure of value, he does not depart far from Smith's theory of value.<sup>1</sup> The passage cited makes it evident that Ricardo failed, just as Smith did, to make clear the difference between the measure of value and the source of value. He apparently is discussing only the measure, but falls back frequently into an assumption that labor is the source as well as the measure. Undoubtedly this failure on the part of both Smith and Ricardo is largely responsible for the conclusion which Marx later drew from the labor-cost theory of value; namely, that since labor is the sole foundation of value, the entire product of labor belongs by moral right to the laborer. It is evident that Ricardo did not raise the question as to the ethical import of his statement that value depends on the quantity of labor involved in production. It meant no more to him for purposes of moral evaluation than the statement that the force of a stream of water issuing from one end of a water main depends on the amount and the pressure at the other end. But the theory was made use of by those who were concerned with its moral import, and it is in this connection that its defects appear. In the first place, the whole theory of value has undergone a thorough change since Ricardo's day, in the taking of the issue out of the field of mere external phenomena into the psychological. The ultimate nature of value is to be found somewhere in a subjective appreciation more than in the nature of the external commodities evaluated.

Furthermore, we see that the labor-cost theory of value belongs to an individualistic conception of society and a state of handicraft industry. Smith, who gives the original impulse to the theory,

<sup>1</sup> See pp. 8-9.

was describing an industrial situation in which the contribution of each individual could be much more easily detected than today. If Smith and Ricardo are right in saying that value depends upon the amount of labor required to produce the commodity, then Marx is right in saying that the whole value belongs to the laborer. It needs to be remembered, of course, that Ricardo and Marx did not mean the same thing by the term "labor." With the former it includes the part played by capital; with the latter it means only the physical force exerted by the personal element in production. What both fail to see is that value is a social creation; and in the complex situation of the capitalistic régime it is impossible completely to separate in any given situation the actual contribution of any one of the various factors in production.

Advancing still another step, it may be asked what grounds we have for saying that the well-being of society depends upon the awarding to each factor, whether a class or an individual, the exact share due him from his contribution. Such an ethical claim is valid only when each factor is considered as an atom in the social whole. If the welfare of the whole is something different from and above the sum of the welfare of all the individuals, then the compensation returned to any one factor is ethical in proportion as it furthers the welfare of the whole. It is entirely possible that this general good may sometimes demand that any one factor in production may receive more or less than it has actually contributed to the process. This is not to fix any scheme of distribution that shall, on the basis of privilege, give a permanent advantage to any one of the factors. On the contrary, it is a demand that the scheme of distribution be held constantly subject to the general good rather than the individual good. And just as there are practical difficulties in determining the actual contribution of any one factor in the production of a commodity, such as to render an exact computation impossible, just so there are ethical difficulties in attempting to return to each individual or class his particular share on the basis of his contribution, even if this could be determined.

*Section II.*—Here we find a good illustration of Ricardo's conception of society as statical. The proposition which he sets himself to prove is indicated in the title: "Labour of different

qualities differently rewarded. This no cause of variation in the relative value of commodities." The argument is stated in the first paragraph:

In speaking, however, of labour, as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted, and placed in its proper position in the scale of value.<sup>1</sup>

This is a description of a society which is as much determined by its past judgments as were the citizens of Hobbes's state, whose far-off ancestors had contracted away the freedom of mankind for all future time. Any appreciation of the historical point of view whatever would have led Ricardo to realize that not only do the valuations put by society upon different sorts of labor fail to remain fixed, but that they do not even become fixed. Any of the myriad factors that go to shape public opinion, or turn the direction of the attention of any section of society, will make for the higher evaluation of some kinds of labor and the depreciation of others. And so constantly are these forces operating that there is a continual flux in the relative appreciation put on different sorts of labor. The labor of the clergy is a case in point. Although Ricardo probably would not have regarded such effort as productive labor, we do regard today the work of the clergy as one of the tasks which society has to perform. It would be extremely hard to find any period of long duration during which the appreciation that society shows for this work has been constant. The shifting of belief, the efficiency of the ecclesiastical organization, the standard of popular intelligence, and a hundred other factors are forever forming and reforming new situations that call for a higher or lower appreciation which society maintains toward the priesthood.

<sup>1</sup> P. 15.



Every other body of workmen in society is subject to the same sort of changes which affect the valuation of their work. And because of this the value of the commodities which they produce is a constantly shifting one.

*Section III.—*

Not only the labour applied immediately to commodities affects their value, but the labor also which is bestowed on the implements, tools, and buildings, with which such labour is assisted.

Here we have the entrance of capital into the argument. Ricardo again goes back to Smith for his starting-point.<sup>1</sup> Ricardo never thought, of course, that any justification for the taking of profits was necessary. He is describing merely what he takes to be the facts that exist. That there could be moral problems connected with the payment of an income to capital was a possibility that lay outside the circumference of his economic vision. But here as elsewhere his description of facts has passed into an assumption of moral justification in the mind of the business world, and those who have made such an assumption have not stopped to inquire into the naïveté of regarding the making of bows and arrows by savages as fulfilling exactly the same function as drawing a check for the payment of the wages of laborers in modern society. The labor that a savage puts into a weapon or canoe is no more parallel with the operation of capital in the modern world than are the daily occupations of the savage comparable to the round of events entering into the life of a Wall Street operator. They are both dominated by certain fundamental human interests, and both seek to satisfy these felt wants by indirect rather than direct means. But the economic fact that a savage may kill more deer with a bow and arrow than without, and the moral fact that he is entitled to have more deer because he has made the weapon, throw little light on either the source of the justification or the profits of the modern investor in securities. The most that can be made out of the analogy is a presumption in favor of a recompense to tool capital. But the great moral questions are not those connected with a reward to the man who invests some of his time or luxuries in tools.

<sup>1</sup> Cf. pp. 17, 18.

To compare the modern capitalist, who is a member of a syndicate that controls the operations of vast industries, and whose personal consumption varies all the way from automobiles and grand opera to buying foreign titles for members of his family, with the individual who does without a meal that he may use the time required for supplying the meal in making a weapon, is rather far-fetched if not actually humorous.

Furthermore, we may question the validity of the assumption that the economic motives are the only ones operating in the savage mind, or any other mind, in estimating the value of commodities or the factors used in the production of the commodities. Ricardo says again:

Suppose that in the early stages of society, the bows and arrows of the hunter were of equal value, and of equal durability, with the canoe and implements of the fisherman, both being the produce of the same quantity of labour. Under such circumstances the value of the deer, the produce of the hunter's day's labour, would be exactly equal to the value of the fish, the produce of the fisherman's day's labour. The comparative value of the fish and the game would be entirely regulated by the quantity of labour realized in each; whatever might be the quantity of production, or however high or low general wages or profits might be. If for example the canoes and implements of the fisherman were of the value of £100 and were calculated to last for ten years, and he employed ten men, whose annual labour cost £100 and who in one day obtained by their labour twenty salmon; If the weapons employed by the hunter were also of £100 value and calculated to last ten years, and if he also employed ten men, whose annual labour cost £100 and who in one day procured him ten deer; then the natural price of a deer would be two salmon, whether the proportion of the whole produce bestowed on the men who obtained it, were large or small.<sup>1</sup>

Here Ricardo fails to see that at any moment the savage may change his estimation of the value of the bow and arrow in relation to that of the canoe on grounds entirely divorced from the amount of labor consumed in the construction of either. The priest may forbid him to eat deer on certain days of the week, or the "first families" of the tribe may declare that it is no longer fashionable to eat deer, or the chief may discourage the killing of deer because it involves getting into trouble with a neighboring tribe, any of which facts would alter the comparative value of the deer and of

<sup>1</sup> Pp. 20-21.

the instruments which were used in getting it. Similarly, in the modern world, the valuation of any commodity and of the instruments used in its production may change in response to any one of a thousand social influences beyond the economic.

The remainder of the chapter on value (secs. IV-VII) is taken up with the discussion of exceptions to the principles set forth in the first part of the chapter, and with corollaries of a purely technical character.<sup>1</sup> These sections merely elucidate the technical variations of the main theme suggested in the titles, without advancing principles of any significance beyond the most specifically economic. The relation of wages and profits and rent, referred to in sec. VII, will be discussed when we come to Ricardo's completer treatment of those topics.

Chap. xx properly belongs here. Its title, "Value and Riches, Their Distinctive Properties," might indicate a discussion of the sociological significance of these two categories. The argument is confined, however, to showing that while riches have to do with the quantity of goods, value is a relative term applied to the difficulty or facility of production; a point of distinction that is largely a matter of terminology and, at the most, a matter of mere economic technique.

## CHAPTER II: RENT

The attaching of Ricardo's name to the doctrine of rent which is set forth in the *Principles* is one of those chances of fortune which so frequently result in credit or blame to a man for a doctrine that was not at all his own from the standpoint of originality. Ricardo laid claim to no originality in his doctrine of rent. In his Preface he distinctly assigns the authorship of it to Malthus and a "Fellow of University College" (Mr. West, after Sir Edward West). It is evident that Ricardo merely makes use of the doctrine, as it had been formulated for him, as a link in his general theory of distribution. He probably did not know, since he does not mention it, that Anderson had really stated the essence of the doctrine before Malthus and West. Ricardo seized upon it at once as an excellent means of helping to explain the manner in which the goods of society

<sup>1</sup> See pp. 23, 32, 36, 40.



were distributed among the various classes—which, as we have seen, was for him the central problem of political economy. And it is probably just because it became such an integral part of his general theory that this doctrine of rent has ever since borne his name. In fact, it constitutes a cornerstone if not the keystone in his whole argument. His doctrine of value would hang in the air if it were not for the doctrine of rent to connect it to the general theory of wages and profit. The iron law of wages and a pre-established rate of profit would fail of their social significance if they were not connected with it. In the first paragraph of the chapter Ricardo states the significance of the discussion of rent to be for the purpose of finding out if the phenomenon of rent causes any variation in the labor-cost theory of value, which lies at the basis of his theory of distribution.<sup>1</sup> Rent is defined as “that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil.”

The quality of the land depends, however, as the theory explicitly explains, not upon its original resources only, but upon the capital spent in enriching and improving it. Hence the expenditure of capital on the land must be taken into consideration when we are determining the relative value of two fields.<sup>2</sup>

Our discussion here of the Ricardian theory of rent is not concerned with the specifically economic phases of the subject. Whether there are such entities as “original and indestructible powers of the soil,” or whether the phenomenon of rent should be applied to other factors of production besides land, are questions for the economists to determine, as is also the precise statement of the technique of the process by which rent appears at all. There are, however, questions of the import of rent for social welfare that the economic technique is not qualified to handle and which fall, properly, within the scope of sociological discussion.<sup>3</sup> We are concerned only with such sociological implications in the Ricardian theory of rent.

Adam Smith's treatment of rent was not consistent or clearly defined. Both Malthus and Ricardo point out that although at

<sup>1</sup> Pp. 44-47.

<sup>2</sup> P. 48.

<sup>3</sup> For a clear statement of this point of view see Small, *Adam Smith and Modern Sociology*, pp. 142-48.

times he seems to see clearly the fundamentals of the correct doctrine, in other passages he accepts the popular theory that rent is a part of price. But the important thing for us in Smith's treatment of the subject is that he nowhere seems to regard rent as anything more than a matter-of-fact economic phenomenon that lies entirely beyond the pale of social justification. As Professor Small has pointed out,<sup>1</sup> the conditions were not ripe for forcing upon Smith's attention the necessity for any justification of the payment of rent to landlords.

It is significant to note, however, that the essential element of the new theory, which was overlooked by Smith and first proposed by Anderson, took its rise along with an attempt to justify such a payment. This essential element in what came to be known as the Ricardian theory is that price is independent of rent; the cost of production, which is a marginal cost, determines price, and that rent rises as the result rather than the cause of high prices. In Anderson's statement there are manifest evidences of a desire to show that the payment to landlords is not the cause of the distress of the peasants.<sup>2</sup>

Ricardo also takes occasion to point out that this theory leaves the landlord free from any blame.<sup>3</sup>

It is significant that neither Anderson nor Ricardo raises the question whether there may not be some means of giving the whole of society the benefit of rent. As in the case of Smith, there is no indication that this phase of the question even occurred to them. What they were intent upon showing was that the payment of rent to somebody was inevitable and that the price of corn was not raised thereby. That there should be a particular class of people whose opportune position enabled them to reap the benefit of this was accepted as a part of the inevitable, foreordained structure of society. Thus Ricardo says, "It remains to be considered, whether the appropriation of land and the consequent creation of rent," etc.<sup>4</sup> Here he means by rent, not the economic phenomenon

<sup>1</sup> *Loc. cit.*

<sup>2</sup> See Anderson, *An Inquiry into the Nature of the Corn Laws*, 1777, quoted by Macfarland, *Value and Distribution*, pp. 91-95.

<sup>3</sup> *Principles*, pp. 51-52.

<sup>4</sup> P. 44.

of a marginal difference in the quality of soils, but the payment of a certain sum to a landlord. Starting with the assumption that such payment was inevitable, he proceeds to show that it is no injury to society, because it does not raise the price of corn. The abolition of the corn laws was the immediate purpose of Anderson, as indicated by his title; and Ricardo also is known to have been an ardent advocate of the same measure. The theory, therefore, is not without its practical purport, since it sought to show that the highest welfare of the people demanded a lower price of wheat, and in doing so both Anderson and Ricardo were conscious of the need of showing that the landlord was not to blame for the then high price, but that the high price occasioned by the corn laws was instrumental in maintaining the payment of a large part of the income of the country into the hands of the landlords.

The great significance therefore of the theory, in the Ricardian economics, comes from its connection with the rest of his scheme. Rent is the share of the whole value which goes to the landlord. Ricardo does not distinguish between the meaning of the term as a physical phenomenon and that of a cash payment. That is, it did not occur to him that the two meanings are separable. Thus, although he explains its origin as a physical phenomenon arising from the law of diminishing returns, he at the same time defines it in terms of a payment. "Rent is that portion of the produce of the earth which is paid to the landlord" (p. 44); and, "In the future pages of this work, then, whenever I speak of the rent of land, I wish to be understood as speaking of that compensation which is paid to the owner of land for the use of its original and indestructible powers" (p. 46). Sometimes his language implies that he means an actual cash payment, but more often he means the share of the whole produce which goes to the social class known as landlords. Here, again, he did not distinguish.

This assumption of identity in meaning between the existence of rent as a physical phenomenon and the payment of it to a particular class is an excellent illustration of the unconscious process by which one may pass from the explanation of a purely economic fact to a moral justification of a particular use of the fact. This naïve procedure has been guilty of propping up many unsocial



policies with the apparent force of natural law. Ricardo is doubtless largely responsible for the confusion with respect to rent.

Another phase of the theory of particular social importance is its relation to wages and profits.<sup>1</sup> In brief, Ricardo argues that, in any advancing society, the landlord must continue to get a larger and larger share of the total produce, while wages and profits must decrease proportionately. This gloomy picture of the parallelism between "progress and poverty" depends for its validity upon two assumptions, namely, that the private landlord is to receive the marginal production of the better lands, and that the Ricardian theory of wages and profits is correct. The latter of these we shall discuss later under those chapters devoted to them. The former has been challenged in a variety of ways. Henry George's demand for a single tax is perhaps the best theoretical example, while Germany's system of land tenure and taxation is the best practical example. Henry George, accepting *in toto* the analysis of the economic situation set forth by Ricardo, enters a disclaimer against the assumption that the payment of the surplus to the private landlord is a part of the foreordained system. If society cannot prevent the rise in value of the products of the land, it can say to whom this increase shall be given, and it has a special right to do so since the cause for such increase is a social one. The net result, however, of George's argument goes little farther than to show the desirability of a land tax which shall appropriate the surplus for the benefit of society.

### CHAPTER III: ON THE RENT OF MINES

This chapter is merely an application of the theory of land rent to mines, in which also the meanings of the term as a physical phenomenon and a payment to the *de facto* owner are not distinguished.

### CHAPTER IV: ON NATURAL AND MARKET PRICE

This chapter contains no advance on the argument previously sketched. It is a reminder to the reader that the author did not disregard the existence of temporary fluctuations; and is also a description of the way in which capital and labor are transferred

<sup>1</sup> *Principles*, pp. 54, 77, 79, 98.

from one business to another. In order to point out this recognition of exceptions and to describe this transfer, Ricardo makes use of several assumptions already noted: (1) the natural condition of industry and trade is one in which capital and labor are freely transferable from one business to another. (2) There is a natural or normal price for all commodities. (3) Temporary fluctuations from this normal are to be treated as exceptions in political economy.

So far as Ricardo was describing the mechanism of transfer of capital and labor, as it took place in his day, there is no criticism to offer; although of course the description would not fit very precisely the present conditions. The points here on which Ricardo led political economy astray are in assuming that the actual is not the natural, and that the barely economic factors may be accurately described without recognizing their relation to the other factors operating with them in any actual situations. The first of these points has been somewhat fully dealt with by later economists and calls for no further elucidation here. The present study of Ricardo is for the purpose of pointing out the significance of the second.

#### CHAPTER V: ON WAGES

It is by his discussion of wages that Ricardo brought down on his head such bitter condemnation from the laboring classes of the generation that was dominated by his economic principles. This is not because the brief chapter of less than seventeen pages contains an unusual amount of argument hostile to the laboring class, but because here the whole force of his entire argument reaches conclusions which came to be made use of in the interest of the capitalist class. Here, again, it is the sociological rather than the economic side of the argument with which we shall deal. The case is thus presented:

Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity

of money which he may receive for wages, but on the quantity of food, necessities, and conveniences become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessities, and conveniences required for the support of the labourer and his family. With a rise in the price of food and necessities, the natural price of labour will rise; with the fall in their price, the natural price of labour will fall.<sup>1</sup>

Here is explicit expression of the conception that labor is a commodity that can be bought and sold in the market. This raises at once a question on which Marx took issue with Ricardo, namely, What is labor? While Ricardo, being no academic philosopher, does not go explicitly into a definition of labor, his hedonistic background would make it necessary for him to define it as disutility, pain, sacrifice. In this case labor may be measured, conceivably, by the degree or amount of pain. This is of course intangible and does not lend itself to any accurate measurement, either in time or in intensity. But for practical purposes it is roughly estimated in Ricardo's theory in time units and is sold as such, independent of the laborer as a personality.

For Marx labor is not a commodity but a process. In this process the vital forces of the laborer are consumed and reappear in the product, which represents so much congealed force. It is not a tangible, purchasable commodity. But whether or not we regard the actual force that enters into the product as a commodity, as a matter of fact labor is never dissociated from the laborer, and human sentiment will not consent to look upon the laborer as a commodity. Doubtless Ricardo, the kindly dispositioned philanthropist and lover of his kind, would have been greatly shocked if anyone had accused him of regarding an individual laborer as a commodity. It would have been as repugnant to him as to any other man of large and deep human sympathies. But Ricardo, the abstract economist, set up a description of labor which easily lent itself to such an attitude toward the laborer. Here again the question might be raised of apportioning the blame between the author of a theory that was capable of misinterpretation, and his followers who failed to make the discrimination between the commodity, labor, and the personal source behind the

<sup>1</sup> P. 70.



commodity. But it is the Ricardian economics as they were accepted by the generation with which we have chiefly to deal. And there is no escaping the historical fact that, whether correctly or incorrectly interpreted, the Ricardian theory of labor led directly toward conceiving the laborer as a mere cog in the wheel of production, whose personality and well-being were negligible quantities as compared with the output of his efforts.

But the Ricardian theory was not only unfortunate in its confusion of labor and the laborer. In the same paragraph we are told that labor has a "natural price." That is, there is an iron law which has predetermined an immutable share which the laborer is to receive and a fixed condition in which he is to live. Temporary causes may for a time prevent these laws from bringing about their logical consequences, but there is a predetermined approach toward this fixed state. This is but one phase of that general conception of society that regards humanity as helpless in the clutch of an inexorable destiny, that reached its best sociological expression in Herbert Spencer. The refutation of this argument in its larger philosophic aspects has already been accomplished.<sup>1</sup> A "natural wage" for laborers carries on its face an assumption that the forces that fix their condition of life lie entirely outside themselves. Any attempt on their part to frustrate the working of the plan is not only futile, but indicative of a sinister attitude toward the welfare of society. This argument of course became a most useful instrument in the hands of the class that was interested in maintaining the *status quo* with respect to the relations of employer and laborer. But, on the other hand, it helped, in the minds of a great number of all classes, to establish the conception of political economy as the dismal science, since the theory implied the existence of something entirely inconsistent with human sympathies and moral ideals. The power of human organization to change these "natural" laws has been shown more completely, of course, in the modern labor movement than was evident in Ricardo's day. But before his eyes as he wrote there were being laid the foundations of a movement whose members would not be convinced by his arguments; and

<sup>1</sup> See Huxley; Essay on *Evolution and Ethics*; Ward; *Psychic Factors of Civilization*; Ritchie; *Darwinism and Politics*.

this effort on the part of organized laborers to secure for themselves a larger share of the product has doubtless had a very considerable part in forcing academic thinking out of the Ricardian groove.

But this natural law does not stop with fixing an unchangeable price for labor; the price fixed is merely that which will enable the laborer to live and propagate a sufficient number of offspring to carry on the process of production. It is therefore contrary to nature that the laborer should increase in efficiency of workmanship, or should secure a constantly increasing measure of the material and spiritual goods of life. The inscription over Dante's *Inferno* gives scarcely less ground for hope. It is true that Ricardo parenthetically assures us that the standard of life is not fixed but materially differs in different countries and at different times in the same country.<sup>1</sup> This is one of those gleams of another method that occasionally shoot across the pages of the *Principles* without changing in the least the regular onward march of the absolute argument. The idea of a changing standard of life, being an essentially dynamic one and involving social factors beyond the purely economic, is entirely foreign to the static and narrowly economic conception that the rest of the theory rests upon. If Ricardo had followed out this clue, the iron law of wages might have been proclaimed, but it would not have borne his name. That he did not really grasp the dynamic idea is evident from the fact that the difference in the standard of life is not a constantly changing one for him, but is only different at different times. Had he raised the question as to the causes of the change and the continuity of the process, he might have been led to a complete revolution of his wage theory. As he left it, this apparent exception has no effect whatever upon his argument.

A further implication in the theory is that the purposes of the wages that are paid are solely to enable the laborers "to subsist and to perpetuate their race." That the end of life is complete satisfaction of human needs or the development of human personality is not only not hinted at, but seems to be actually at variance with the scheme. Here again the Ricardo of reality would have indignantly denied the charge. Happiness and well-being (as we

<sup>1</sup> P. 74

have noted above, pp. 26-7) were in the forefront of his private philosophy of life. But when he seats himself to describe the economic activities of men, happiness and well-being fall into the background, and the perpetuation of the race for purposes of production becomes the end of social activity.

Again, the only question that Ricardo raises with reference to the relation of the laborer to his work is that of wages—"the quantity of food, necessities, and conveniences of life" that he is to receive. But the question of wages is scarcely ever such an isolated problem in actual life. Men have always been unwilling to look upon the mere money return as the only one of importance in their work. Questions involving the expression of their personality in their work, comfort of body, and conditions that permit them to maintain self-respect have played a very important part in the efforts of laborers to better their condition. The problem of wages is not a solitary one and cannot be treated in as isolated a fashion as the Ricardian theory implies.

We have in this chapter, in addition to the theory of wages, a number of statements concerning the relative importance of capital in the productive process.<sup>1</sup> It is difficult here to draw the line very sharply between the economics and sociology of capital as discussed by Ricardo. We may, however, call attention to some of the larger implications of social significance. It has been a disputed point whether Ricardo can be charged with holding to and promoting the wages-fund doctrine. The decision must depend upon whether we mean by the wages-fund doctrine the mathematical and definite statement of it which later economic writers developed, or a more loosely defined conception of the relation of capital to labor. There can be no doubt, however, that the passage alluded to maintains two fundamental ideas: first, that capital is the initiating factor in production; second, that the amount of wages depends upon the amount of capital. Capital is "necessary to give effect to labor," it is the prime factor of production, and increase in capital is the great hope of the laborer. From this time on the glorification of capital proceeds until classical economics found itself in a position diametrically reversed from

<sup>1</sup> Pp. 72, 73.



that of Adam Smith, that labor is the original source of all value. The history of this movement is a section of the development of economic thought which has already been traced by economic writers.<sup>1</sup> It is important to note, however, that Ricardo's precise statements gave momentum to the movement.

It is not probable that in writing the last paragraph of the foregoing citation Ricardo was at all conscious of the implication that "every improvement in society" is a synonymous expression with "every increase in its capital." And it might be an unfair conclusion that he even unconsciously held such a position, were this not entirely in harmony with his whole treatment of capital and its relation to the welfare of society. But there can be no doubt of the fact that the identity of the meaning of these two expressions came, in the classical theory, to be pretty generally accepted. And there is yet in popular thought no complete escape from the conviction that every improvement in society at least depends on an increase in capital as its most essential factor. A conversion of capital into the means of promoting the satisfaction of human needs, and the proper distribution of such satisfaction among all the classes of society, are ideas that are yet but dimly perceived as the essential meaning of a real "improvement of society." But it is a part of the task of sociology to point out that any theory of the function of capital is invalid which does not directly relate it to such social ideals.

In one of his characteristically precise statements Ricardo tells us that there are but two things (money being considered invariable in value) that affect the amount of wages:

Independently of the variations in the value of money, which necessarily affect money wages, but which we have here supposed to have no operation, as we have considered money to be uniformly of the same value, it appears then that wages are subject to a rise or fall from two causes: 1st. The supply and demand of labourers. 2ndly. The price of the commodities on which the wages of labour are expended.<sup>2</sup>

This part of his theory, which shows the influence of the Malthusian doctrine of population, is of course but a corollary to the general theory of a fixed, natural wage, and the necessity for a

<sup>1</sup> See especially Taussig, *Wages and Capital*.

<sup>2</sup> Pp. 74-75.

fund out of which the wage can be paid. But that wages should be affected by no other influences than the supply and demand of laborers and the price of the necessities consumed by the laborers is as inconsistent with a complete view of the situation as it was consistent with the Ricardian point of view. It shows plainly the failure of his exception concerning different standards of living to modify his general position. A changing standard of living must always be a most potent factor in determining the rates of wages. Ricardo does not recognize it as such, and evidently regarded it as a negligible quantity. The power of laborers to effect a change of rate by organized effort has already been commented on, but was of course entirely neglected by Ricardo. The right or expediency of regulation of wages by law was a part of the whole conception of industry and political philosophy which Ricardo was engaged in helping to overthrow. It is not to be presumed, therefore, that he would put law in his list of the factors that regulate wages. That his theory was admirably adapted to promoting the then current political philosophy is no less evident than that it fails under a wider conception of the function of government. In noting the attitude of the Ricardian school toward the control of wages and industry by law, it is of course important that we take into consideration the example of the poor laws as they then existed. But this does not change the fact that the arguments which were effective in defeating an ill-advised governmental regulation is ineffective in solving the problems of a different industrial situation.

Concerning the productive powers of labor, we read (p. 75) that it depends chiefly on the fertility of the soil. As a statement of fact that labor is generally most productive where the land is most fertile, this amounts of course to a simple economic truism. By omission, however, it implies that there are no other factors that exercise a dominant influence on the efficiency and productivity of laborers. On the following page Ricardo allows for two of these additional influences, namely, a stable government and a general education. The implication is that a stable government and general education are the only exceptions worth noting to the general principle that the productiveness of labor depends on the fertility of the

soil. England has today a living testimony to one of the results of such an economic theory when put to actual practice in the workshops of a country. There are today, roughly estimated, nearly a million individuals on the East Side in London who are economically inefficient and improvident, in the midst of comparatively great economic opportunities. These inefficients, not only a national economic loss, but a social menace, are the natural fruitage of an economic policy that failed to recognize the relation of child labor to economic efficiency. It might be possible to read into the term "education" as used by Ricardo a wide sociological content, but there are no evidences that he meant by it anything more than the common-school education of the England of his day, ending at eight or ten years for the larger part of the population, and even earlier where the parents were in need of the income from their children. Any economic policy which does not recognize as essential factors of the efficiency and productivity of labor the physical and mental and moral health of the laborers is of course doomed to self-destruction. The remarkable thing to note is that the lesson taught by the experience of England under the classical economy has to be learned over again by practically every modern community embarking on the same industrial activity. What can be done to increase the efficiency of labor, beyond providing the minimum of conditions for physical and mental and moral health of the workmen, is in part illustrated by the technical education of modern Germany, which is, on merely economic grounds, enormously increasing its output.

In the midst of the theory of wages, with all its unsocial tendencies, several paragraphs appear indicating the thoroughly social point of view of Ricardo, so far as his ultimate purposes were concerned. One of these occurs in the discussion of the Malthusian theory of population.

The friends of humanity cannot but wish that in all countries the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them. There cannot be a better security against a superabundant population. In those countries where the labouring classes have the fewest wants, and are contented with the cheapest food, the people are exposed to the greatest vicissitudes and miseries. They have no place of refuge from calamity; they cannot seek



safety in a lower station; they are already so low, that they can fall no lower. On any deficiency of the chief article of their subsistence, there are few substitutes of which they can avail themselves, and dearth to them is attended with almost all the evils of famine.<sup>1</sup>

In the face of this paragraph it would be hard to convict Ricardo of being unmindful of the welfare of humanity, at least of the poorer classes. And nothing indicates more clearly that his arguments, while taking the form of universal validity, were in reality directed against the particular evils which confronted himself and other reformers of his day. The great need which appeared on their horizon was the abolition of a pernicious system of pauperizing charity; and one of the chief ends which they had in view was the betterment of the condition of that class which was most grievously wronged by an erroneous conception of philanthropy. The end, as they saw it, was to be reached by two means: the gradual abolition of the poor laws, and the incitement by education, by legal or any other means, of the poorer classes to a greater degree of independence and self-respect. This latter would be promoted by the inculcation of higher wants, which would lead to later marriages and smaller families.<sup>2</sup>

We repeat, there is no indication that Ricardo and his co-reformers had any but the most broadly social object in view as their ultimate purpose. And we may go farther and say that the means that he proposes here (pp. 82-85) for the accomplishment of that purpose were doubtless the ones that were especially needed in that particular situation. The whole difficulty comes in with the implication that a reform in the condition of any class of people can be effected only through the exercise of individual discretion; that is, that social salvation lies in the perfection of individual character only, without a change in social relations. Here again the apportionment of blame between the author of the implication and the followers who failed to see the incompleteness of the method might be a subject of discussion. It would seem, however, that in this case Ricardo and his fellow-workers cannot be held to blame. Any direct reform must have sufficient simplicity and concreteness to have a point of attack. The great need of the situation that

<sup>1</sup> P. 77.

<sup>2</sup> Cf. pp. 82-85.

confronted them was the particular measures that Malthus and Ricardo advocated. The chief blame must fall on those who would enlarge the advocacy of a particular, temporary measure into a continued social policy.

#### CHAPTER VI: ON PROFITS

Ricardo's explanation of profits is an excellent illustration of the extreme simplicity to which he could reduce a situation. One lays down the book after a first reading of the chapter of twenty pages with the wonder how such a simple matter could cause difficulty to any mind. A large part of the chapter is taken up with mathematical computations for illustrating the principles involved, and the actual theory of profits is set forth in a few of those short, direct statements whose air of authority helped to make Ricardo's teaching appear to be the final statement of economic gospel. The simplicity of the theory comes from its relation to the points established in the discussion of rent and wages. Rent is the surplus of production of good land over poor land. The price of all raw commodities is determined by the cost of production of the commodities raised on the poorest land in cultivation. The wages of labor are those that enable the laborer to subsist and propagate the race of laborers in the same number and standard of comfort. The capitalist farmer will of necessity pay the owner of the land the marginal production of the particular piece of land he is cultivating. He will also pay the laborer the minimum subsistence wage. The remainder is profit. The amount of his profit will depend upon the amount of wages he must pay. With the growth in the need for more commodities poorer land will be called into cultivation, thus raising the rent of all the land already in use. The rise in the price of commodities will increase the subsistence wages of the laborer and lower profits. Since the manufacturer depends on the raw materials, his profits will vary with those of the capitalist farmer. They are working under exactly the same conditions and belong to the same economic class.<sup>1</sup>

The confusion of interest and profit in Ricardo's theory is a matter that the economists have spent considerable effort upon, and

<sup>1</sup> Pp. 87-92.

it calls for no treatment in our discussion. They both stand on the same footing, if in fact they are not interchangeable in the Ricardian theory. They together constitute the third side of the triangle which represents the recipients of the whole of the social product. It is important to note, however, that Ricardo views the whole social process from the standpoint of the capitalist. Rent is the amount paid the landlord, and it is the capitalist who pays him. Wages are paid by the capitalist to the laborers. The capitalist is the central and directing factor in carrying on the machinery of production and distribution. Moreover, the good of the capitalist is identified with the good of society. Since labor can be employed only when there is already an accumulated surplus out of which to pay wages, the welfare of society depends on the accumulation of capital. In fact, there could be no accumulation of the capital so essential to social welfare if there were not a sufficient profit to serve as a motive for accumulation.<sup>1</sup> In the passage referred to, the implication is that the capitalist is a necessary part of the social machinery. His function is to accumulate capital, and the only way he can be persuaded to perform his function is to give him a profit.

This argument implies several very important assumptions: first, that there can be no accumulation of capital without the motive of personal profit; second, that there must be a particular class that is to receive and hold in trust this social surplus; and, finally, that its having been designated the trustees of this fund constitutes this class the rightful dispensers of the fund, that is, the controlling and directing agent of the producing and distributing process.

The way in which these implications were converted into ethical postulates constitutes one of the most interesting chapters in the history of moral jugglery. Ricardo himself of course never raised the question as to the ethical justification of a capitalist class which should constitute the controlling factor of the social process. Its existence as such a factor was as essential a part of the world of his thought as were the hills and valleys of England a part of her topography. But with those who came to look upon the Ricardian

<sup>1</sup> Pp. 100-101.



economics as the final statement of social theory, the implication of his argument grew into convictions that supplied an ethical justification for a social program that extended far beyond the limits touched by the Ricardian economics. It was the carrying of such implications as these over into the field of ethical postulates that gave the classical economy the appearance of an interloper in a field for which it was poorly fitted. We repeat here what has been said in other connections, namely, that Ricardo gave no evidences of making the transition in his own conscious intellectual processes, but the unconscious implications of his economic theory easily lent themselves to such a transition in the hands of later economists, and especially in the hands of those men of affairs who were desirous of furthering the interests of their class.

As to these particular implications, concerning the social function of the capitalist class, it does not need to be pointed out at great length that they cannot be accepted in the social theory of today. While personal profit has been and is still the chief motive for the accumulation of capital, the burden of proof rests upon those who assert that it is the only possible motive that society may make use of to accomplish this end. Certainly many social tasks are being, and always have been, performed from different motives; and a resort to the socialist program is not the only alternative of having a particular class that shall be the trustees for receiving the social surplus which is to be used for further production. The social ownership of capital has been growing more and more into a realized fact since Ricardo's day, and doubtless will continue to increase without any necessary identification with state socialism. But it is particularly toward the social control of capital that the present tendencies point. The individual owner may continue to hold a large part of the capital of society, and he may continue to go through the form of occupying the center of the stage in the producing and distributing processes, but more and more is society as a whole coming to be the conscious director in the whole processes of producing and distributing. While, therefore, there may continue to be a class which will hold this social fund called capital, its use of it will be unceasingly controlled by society in the interest of all, instead of in the interest of the class which happens to hold it.

Having pointed out that the Ricardian theory of profits must depend for its validity upon considerations that go entirely beyond the ken of economics, and that these wider social factors which were unconsciously implied in the Ricardian theory are not such unquestionable postulates as he assumed, we need not, in the scope of the present paper, carry farther the discussion of the implications themselves. Our purpose is simply to show the extent to which the Ricardian economic theory is correlated with social elements beyond economics, and what is the significance for social theory of his success or failure at such correlation.

#### THE MORE TECHNICAL CONTENTS OF THE *Principles*

From this point to the end of the *Principles* the discussion is more highly technological than the first part. The chapters on value, rent, wages, and profits, which contain the fundamental economic principles of Ricardo's whole theory, contain also the chief sociological implications. What follows is largely an application of the conclusions reached in the first six chapters to particular problems. Much of it amounts to no more than parentheses, while other chapters are elaborated treatments of special topics. Strange to say, however, several of these chapters have received the highest praise from some of the critics of Ricardo. It has often been asserted that he was most at home in such fields as "Foreign Trade," and "Currency and Banks." Doubtless the reason why he has received more praise and less blame for these chapters is that they are subjects which lend themselves readily to a highly technological treatment. The failure to take into account the data of larger social significance than the merely economic is less disastrous in a discussion of such topics. Moreover, his chosen field was practical finance and trade, and here he shows most complete grasp of all the various sides of the problems. While, therefore, this part of the *Principles* is highly important to the historian of economic thought, it presents little of interest to the sociologist. It is useful chiefly in showing the inability of technical economic theory to solve the larger moral problem of society. Such discussion is as remote from the problems that concern the well-being of persons in society, as is a description of the mechanism of a voting

machine from being a discussion of the problems of modern democracy. In either case there is some relation between the two problems involved. In the case of the voting machine, however, there are few persons of normal mind who would maintain that a description of how the machine works to register the vote of an individual is a solution of the question how to endow the voter with sufficient intelligence and sense of responsibility to vote in the interests of society. In the case of technical economics, on the other hand, there has generally been lingering in the background the implication that a description of the mechanism of production and exchange was the final word in the treatment of social well-being. It is the task of sociology to supply the link in the chain of the argument, or, to change the figure, to furnish a setting in which the mechanism of the economic activity of society is seen in its proper relation to the whole social situation.

For example, the chapter on foreign trade begins with the statement: "No extension of foreign trade will immediately increase the amount of value in a country, although it will very powerfully contribute to increase the mass of commodities and therefore the sum of enjoyments." The argument which follows is devoted to the proof of the first half of the sentence. The truth and significance of the latter part is assumed. The argument on this point is concluded with the following sentence:

Foreign trade, then, though highly beneficial to a country, as it increases the amount and variety of the objects on which revenue may be expended, and affords, by the abundance and cheapness of commodities, incentives to saving, and to the accumulation of capital, has no tendency to raise the profits of stock, unless the commodities imported be of that description on which the wages of labour are expended.<sup>1</sup>

No exception can be taken to this plain statement of a physical fact; and there is evident indication that Ricardo himself in this case looked beyond the mechanism of the progress to its significance for social well-being. He was not, however, concerned in showing the details of the problems of greater consumption made possible by foreign trade. His interest was directed almost exclusively toward showing that foreign trade did not increase value. This established, his scientific interest ceased. It is evident, however, that he was human enough to recognize the existence of another

<sup>1</sup> P. 113.



problem, and doubtless would, if questioned, have frankly avowed the greater importance of the problem which he left at one side undiscussed.

Again, the title, *Principles of Political Economy and Taxation*, which Ricardo gave to his work, indicates that he regarded the subject of taxation as a matter lying outside the field of pure economic theory. It is rather a phase of applied or practical economics, as in fact are most of the disconnected subjects treated from chap. vii on to the end of the book. As I have already noted, these subjects, being more specific and practical in their nature, called for a treatment even more highly technological than the main elements of his general theory. But his treatment of taxation he carried to greater length than that of the other practical subjects, and made it a co-ordinate part of the title affixed to the whole work. The treatment of taxation was not, however, wholly separate from the rest of the discussion, for he uses the theoretical principles arrived at in the first part to solve the practical problems involved in taxation. So far, therefore, as theory is concerned, we find the same general point of view running through the twelve chapters on taxation which we have already discussed, and, on its practical side, there is little of sociological importance in the way these general theories are applied specifically to a solution of the incidence of taxation. Nor are we concerned here with whether Ricardo reached correct conclusions as to the exact class of society which a particular tax will fall upon. This is an economic problem the solution of which carries with it no significance beyond that of pure technique.

There are two ways, however, in which Ricardo's treatment of taxation indicates his conception of its wider social significance, namely, the point of view from which he discussed it, and the attitude which he takes toward the payment of taxes. His viewpoint was essentially that of the bookkeeper. The central problem in the whole discussion is to find who has to pay the tax, against whom is it to be charged in the social ledger. This is indicated by the opening sentence:

Taxes are a portion of the produce of the land and labour of a country, placed at the disposal of the government; and are always ultimately paid, either from the capital, or from the revenue of the country.<sup>1</sup>

<sup>1</sup> P. 131.

The title "The Principles of Taxation" is a greater misnomer for this part of his work than is "The Principles of Political Economy" for the other part. The author apparently does not see in taxation a social activity governed by general social laws. At least his interest is directed only to a few specific and disconnected problems, the central one of which is, Upon whom does the disagreeable duty fall? It is the same fact still further emphasized which we have noted with respect to the main part of his work, namely, that Ricardo's attention all the time was fixed upon specific, practical, business problems, and that while the form of his treatment is that of the general and universal, he never rose to such a height that he could see an economic activity in its connection with the totality of the social process. The picture which he put upon the canvas was a distorted one, because his perspective was warped by a too exclusive and close attention to one detail.

In the second place, his attitude toward the payment of taxes was that of recognizing it as a necessary evil, and that the only problems connected with it are to see that each pays his share, and that the total amount is as small as possible.<sup>1</sup> His point of view neglects the effect which taxes have upon increasing production through providing for a more efficient government. It neglects the effect which the payment of a tax has upon arousing and maintaining an interest in government on the part of the taxpayer. It neglects the ethical significance of the method of collecting a tax, and of placing it where it can be most easily met. In fact, it neglects all the problems of political and ethical significance that enter into the general subject of taxation. Historically considered, the greatest problem connected with taxation has not been the amount required to be paid. Political and ethical considerations have always been closely connected with the purely economic, and sometimes the economic element has been an almost negligible one. The principles of taxation can be seen in their true light only when the economic element is correlated with political and ethical considerations.

Moreover, if participation in government has any greater significance for the individual than a compulsory sharing of a dis-

<sup>1</sup> Cf. pp. 226, 132, 133, 134.

agreeable task, then the payment of taxes is something more than a necessary evil. Ricardo's point of view on taxation is, of course, thoroughly consistent with his political philosophy which we have noted above. It is sufficient to point out here that the payment of taxes is only one of the many forms of participation in the burdens of government which have enormous consequences to the individual in his social capacity. The significance of no one of the duties which government imposes upon the individual is exhausted by looking at it from the standpoint of a disagreeable task or a necessary burden. There is no denying that the contribution of a part of one's substance for the maintenance of government is from one standpoint a disagreeable task. But to imply that this is the sole point of view from which to regard it is to distort the meaning of the act as a social activity. It would be, of course, too much to expect from a man in Ricardo's day an attitude toward government which the later democratic movement has developed. But it is important to note that the conception of the significance for the individual of participation in government, which the political philosophy of the day as reflected in Ricardo set forth, is entirely inadequate even when applied to such a technical social activity as the payment of taxes.

Once more, the chapter on machinery, which did not appear till the third edition of the *Principles*, is an excellent illustration of the fact that Ricardo was not at all conscious of the significance of much that was going on about him. The object of his inquiry is stated in the opening sentence:

In the present chapter I shall enter into some inquiry respecting the influence of machinery on the interests of the different classes of society, a subject of great importance, and one which appears never to have been investigated in a manner to lead to any certain or satisfactory results.<sup>1</sup>

The discussion, however, is confined to ascertaining whether the use of machinery leads to such an increase in the produce of a country as to benefit all or simply a part of society. It would be, of course, impossible for a man writing in Ricardo's day to discuss all the effects of machine production which have later become apparent. The Industrial Revolution had not yet been

<sup>1</sup> P. 377.



completed, and many industries were yet in the transition period when Ricardo wrote. But there had already taken place such social changes as a result of the introduction of machinery, that it can hardly be said that Ricardo's discussion covered all the problems then apparent. As was noted in the first part of this paper, it is probable that some of the effects of the new order of things influenced Ricardo's viewpoint unconsciously. But this chapter is sufficient evidence that the effect of the machine process on the personality of the worker, and the social effects of the congregation of workmen under a single establishment, and other similar results of the use of machinery did not attract the attention of Ricardo. There is a wider disparity between the points discussed in this chapter and those which Karl Marx discusses in his chapter on machinery, than there is between the dates of their writing. The difference in treatment, apart from the difference in time, can be accounted for only by the fact that Ricardo fixed his attention on too limited a section of the subject. I may repeat the general proposition of this paper, that the economic factor in any situation is itself not accurately described until it is correlated with other social factors; and Ricardo's treatment of the effect of machinery upon society is a case in point.

#### CONCLUSION

The task for a science of society is to see social reality as a whole. This whole is not a mechanical sum of a large number of separate activities. It is a process the outworking and ongoing of which involves the constant reaction of all the factors upon one another. The complete description of any one of the primary factors in the social process involves, therefore, a description of the whole. To attempt to describe any one of the factors in the whole process without taking into consideration its relation to all the others is to give a wholly wrong account of it. The economic activity of men is one of the primary ways in which they attempt to satisfy the fundamental human needs. But they are at the same time engaged in attempting to satisfy other needs. The resultant of all the individuals in society reacting on one another in their attempts to satisfy all these needs is social activity. To abstract

the economic activity and treat it as though the other factors in the situation were not operating is to warp and distort the account of this one activity. Economic activity is what it is only by virtue of its action upon the other factors and their reactions upon it. Economic activity cannot be described veraciously as a separate element in the whole activity of any individual or set of individuals.

There is possible a science which undertakes to follow out in particular the economic factor in the total social reality. But such a science defeats its own purpose when it leaves out of consideration the correlation which the economic element makes at every point with other elements. The essential error in classical political economy was the assumption that a science of economic activity was possible without an accounting with these essential correlations. Ricardo was the first to break seriously with the setting of moral philosophy which Adam Smith gave to economics. It will always be a question as to the extent to which he is to be held responsible for all the sins of the classical school. As I have pointed out above, in his own personal view the wealth-interest was not the all-inclusive interest which classical economists, and those who applied their theories to government, implied that it was. The *Principles of Political Economy and Taxation*, however, did furnish a point of departure which it was easy to interpret as a start in this direction. Ricardo himself was unconscious of the wide disparity between the form and the content of his work. He was unconscious that his treatment of economics was inconsistent with his personal views. Since this is true, it is rather too much to expect that those who came after him would be able to distinguish between his practical, humanitarian motives, and on the other hand the assumption of his treatise that economic activity is wholly separable from all the rest of life. Who was more to blame, Ricardo who made such a mistake possible or those who made the mistake of reading him wrongly, is a rather unprofitable question. The fact remains that the social heresies due to these unwarrantable assumptions concerning the economic activity of men run back to the interpretation put upon Ricardo.

While the economists themselves have done much of late to correct the errors of the classical school, they have not rendered

any less needful the establishment of a point of view that shall make plain the essential interrelation between all human activities. Whatever else may be said, to the credit or to the discredit of the sociologists, they have been laboring for more than a generation to convince all students of human experience that the best of their results are merely tentative, until they are correlated into an objective rendering of social activities in their wholeness.





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Sociological implications of Ricardo's  
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